

MANAGEMENT REPORT AND FINANCIAL STATEMENTS  
SÜDZUCKER AG  
DATED 29 FEBRUARY 2016 (GERMAN GAAP – HGB)

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The annual report is also available in German. This translation is provided for convenience only and should not be relied upon exclusively. The German version of the annual report is definitive and takes precedence over this translation.

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*The numbers in parenthesis in the report represent the corresponding prior year's figures or item.*



## REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

This report will give you an overview of the supervisory board's activities in fiscal 2015/16 just ended. Before we go into detail, let us talk about the still dominant topic: preparing the company for the substantial changes in our core sugar business. The EU Commission's decision in June 2013 to let the European sugar market regulations that have been in force since 1968 expire without replacement represents a historic turning point. The aim of this market regulation had been to provide a reliable framework for beet farmers, sugar factories and purchasers, while at the same time ensuring a sustainable supply of sugar for Europe's citizens. After almost 50 years, this system will be eliminated and Europe's sugar market will become one of the least regulated in the world. All other important sugar producing countries are subsidizing their sugar industries.

The European market changed immediately after the EU Commission announced its decision. The first impacts were already noticeable in fiscal 2013/14 and the negative sugar results for 2015/16 should also be seen in this light. The supervisory and executive boards immediately began to deal with the required changes. Südzucker successfully initiated the necessary measures in all of the segment's departments – from raw material procurement, to production, sales and marketing and the logistics associated with sugar and byproducts, up to and including administration – and further steps will follow. The declared aim of the supervisory and executive boards is to lead back the company in the medium term to a group consolidated operating result of about € 550 million.

Again in fiscal 2015/16, we were able to work on the basis of mutual trust and in the spirit of a goal-oriented team with the executive board

and examine in depth the general framework, direction and strategic development of the company. In doing so, we concentrated on the tasks for which we are responsible by law, the company's articles of association and the rules of procedure: to monitor and advise the executive board in the latter's management of the company.

The supervisory board was directly involved in all decisions of material importance affecting Südzucker Group and was continuously advised in detail and in a timely manner on all issues related to corporate planning and further strategic development, business activities, the status and development of Südzucker Group (including risk situation), as well as risk management and compliance.

The executive board updated the supervisory board at all meetings on the course of business and the company's situation, and in between meetings informed the supervisory board about important business dealings, both verbally and in writing. The executive board reports were mainly updates about the company's situation and development, corporate policy and profits as well as Südzucker AG's and Südzucker Group's corporate, treasury, investment, research and personnel budgets. In addition, the supervisory board chairman took part in executive board meetings and was informed by the CEO in several working meetings about all important business activities.

### Supervisory board meetings and decisions

The supervisory board met with the executive board at four ordinary meetings and two extraordinary meetings in fiscal 2015/16. The supervisory board approved all of the executive board's decisions after a thorough review and discussions.

The meeting regarding the balance sheet on **20 May 2015** dealt with the audit and endorsement of Südzucker AG's financial statements and the consolidated financial statements dated 28 February 2015. The auditor reported on the material findings and results of the audit, which included the accounting-system-related internal control systems. The board approved the recommendation for appropriation of retained earnings and the supervisory board report. The board also made preparations for the 2015 annual general meeting: The supervisory board adopted the agenda and proposed resolutions, in particular the nominated supervisory board candidates and the planned amendments to the articles of association with regard to Authorized Capital 2015. The supervisory board also approved a financial investment and approved the regular adjustment of the executive board's remuneration.

At its meeting on **15 July 2015** – the day prior to the annual general meeting – the supervisory board approved the investment plan for 2016/17, the long-term investment program and investment amendments. The mid-term plan was presented. The supervisory board also approved a property acquisition project in Belgium. In addition, the supervisory board set the target for the number of women on the executive board. Finally the board elected Mr. Georg Koch to succeed Mr. Erhard Landes as a member of the agricultural committee.

The earnings projections for 2015/16 were presented at the board's **19 November 2015** meeting. As always during the November meeting, the supervisory board focused on corporate governance. The board also conducted its annu-

al test of effectiveness and completed the 2015 declaration of compliance. The supervisory board approved a financing project, the sale of shares of PortionPack Belgium, a Freiburger share acquisition project and investment amendments, as well as a property exchange.

The latest earnings projections for 2015/16 were presented at the board's **26 January 2016** meeting. The supervisory board approved the expansion of the AGRANA wheat starch factory in Aschach and other investment amendments, as well as an AGRANA share acquisition project. The board also approved an amendment to the standard rules of procedure for the executive board as recommended by the German Corporate Governance Code. Finally the board dealt with the subject of retirement benefits for executives.

The extraordinary meeting on **30 April 2015** was held to address the resignation of executive board member Dr. Guderjahn.

The only item on the agenda of the extraordinary supervisory board meeting on **25 January 2016** was the responsibility of the company's bodies in connection with the 2014 antitrust fine.

Two supervisory board members were excused at the meetings held on 20 May 2015 and 19 November 2015. However, the absent members took part in the decision-making via written notes. Three members were excused at the extraordinary supervisory board meeting held on 30 April 2015. Otherwise, all supervisory board members personally attended the meetings. No member of the supervisory board took part in only half or fewer of the board's meetings or of its committees.

### Committees of the supervisory board

The supervisory board set up five committees to enable its efficient fulfillment of duties (executive committee, mediation committee, audit committee, agricultural committee and economic and social committee), each of which is made up of an equal number of shareholders' and employees' representatives. The current members of the committees are presented in the notes of the consolidated statements under item 37 "Supervisory board and executive board".

In accordance with the recommendations of the German Corporate Governance Code, the chair of the audit committee is not the same person as the chair of the supervisory board.

The supervisory board **general committee** convened three times in fiscal 2015/16, dealing each time with strategic issues and the succession planning for the executive board. At the 30 April 2015 meeting, the board dealt furthermore with the resignation of executive board member Dr. Guderjahn. The supervisory board also held preliminary discussions regarding the adjustment of the executive board's remuneration at its meeting on 20 May 2015. At the 19 November 2015 meeting, the board discussed the status of the review of the responsibility of corporate bodies in connection with the 2014 antitrust fine as well.

The **audit committee** convened five times during the year, in three meetings and two telephone conferences. At its 11 May 2015 meeting and in the presence of the external auditors it discussed matters relating to the annual financial statements of Südzucker AG and the consolidated financial statements. It prepared the supervisory board financial review meeting – at which the chair of the audit committee reported – and subsequently approved the recommendations of the audit committee. In addition, it discussed the recommendation regarding the appointment of the auditors and checked their independence. At the meeting on 15 July 2015 the audit com-

mittee discussed the auditor's quotation for the audit assignment and commissioned the auditor, subject to election of the auditor at the annual general meeting on 16 July 2015. In the 6 October 2015 audit committee meeting, the auditors dealt with monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system and the internal audit system, as instructed by the supervisory board. Another agenda item was the discussion of the half-year financial report. In telephone conferences on 6 July 2015 and 11 January 2016, the audit committee discussed the Q1 and Q3 2015/16 quarterly financial reports with the executive board.

All members were either present or participated via telephone at the audit committee meetings and telephone conferences.

The **agricultural committee** convened on 19 November 2015. Topics and reports up for discussion included a business update by the agricultural/raw material markets division on the situation in the raw material markets and "big data in agriculture".

The chairs of the committees reported their findings at each subsequent supervisory board sitting.

The mediation committee had no reason to convene last fiscal year. Neither did the social committee meet.

### Supervisory board effectiveness test

In accordance with paragraph 5.6 of the German Corporate Governance Code, the supervisory board again conducted a test of its effectiveness. This is done annually using a questionnaire, without external assistance. Each year, the questionnaire is revised according to the latest changes to the code. The questionnaires were assessed in the meeting on 19 November 2015, at which time the results were discussed and improvement recommendations made. The aim

is to continuously improve the work of the supervisory board and its committees.

### Compliance

On 14 January 2016, the executive board, external auditor, chairman of the supervisory board and audit committee sat for the regular fraud review meeting. The topics presented and discussed included the assessment of business risks, measures to limit the risks arising from fraud and responses to cases of fraud.

### Corporate Governance

A detailed description of corporate governance at Südzucker, including the wording of the supervisory board's diversity goals for its future composition and the declaration of compliance for 2015 issued by the executive and supervisory boards, can be reviewed in the corporate governance report. In addition, all relevant information is available on the Internet at [www.suedzucker.de/en/Investor-Relations/Corporate-Governance/](http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/).

The executive board fully complied with its duties as prescribed by law and the standard rules of procedure regarding reporting to the supervisory board, and did so in a timely manner. The supervisory board is confident that company management is acting properly and that the company's organizational structure is effective. It discussed these subjects in detail with the auditors. The same applies to the effectiveness of Südzucker Group's risk management system. Here too, the supervisory board was updated in detail by the executive board.

The supervisory board was given an opportunity to participate in an information session on the topic of corporate governance.

The supervisory board was not advised of any conflict of interest on the part of any of its members, especially one that could arise as a result of a consultation or supervisory board

duty related to customers, suppliers, creditors or other business partners.

### Annual financial statements

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, was elected by the shareholders at the annual general meeting at the recommendation of the supervisory board. The auditor has reviewed the financial statements and management report of Südzucker AG for fiscal 2015/16, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2015/16, and issued a qualified audit opinion on each of them. The auditor also confirmed that the executive board suitably complied with its duties as outlined in article 91, paragraph 2 of the German Stock Corporation Act (AktG). In particular, it established an appropriate information and monitoring system that meets the needs of the company and that appears suitable for early detection of developments that may threaten the company's survival.

In view of the declaration by Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, which states that SZVG holds over 50 % of the voting rights of Südzucker AG, the executive board has prepared a report on related party transactions in accordance with article 312 of the German Stock Corporation Act (AktG). The auditor reviewed this report and reported its findings in writing. It confirmed that the facts set out in the report are true, that the contractual transactions itemized in the report are not unreasonably high and that there are no grounds for a significantly different assessment than that of the executive board.

The documents to be audited and the audit reports were sent to each supervisory board member in a timely manner. The auditor participated in the audit committee's 4 May 2016 meeting and in the supervisory board's financial review meeting of 18 May 2016 and provided a

detailed report on the proceedings and result of its audit. After carefully reviewing the auditor's reports, the supervisory board agreed with the results of the audit. The results of the preliminary review by the audit committee and the results of its own review are in complete agreement with the results of the external audit. The supervisory board raised no objections to the audit reports submitted. In its meeting of 18 May 2016, it endorsed the financial statements for Südzucker AG and consolidated Südzucker Group financial statements prepared by the executive board. The financial statements of Südzucker AG are thus adopted. The supervisory board concurs with the executive board's recommendation regarding the distribution of a dividend in the amount of € 0,30 per share.

#### Personnel

The following changes occurred on the supervisory board in fiscal 2015/16:

Shareholder representative Mr. Erhard Landes resigned from the supervisory board effective as of the adjournment of the annual general meeting on 16 July 2015, in accordance with the standard rules of procedure of the supervisory board. The supervisory board sincerely thanks Mr. Erhard Landes for his long-standing commitment to the company's wellbeing.

Mr. Helmut Friedl (farm operations manager and teacher at the technical school for the agricultural sector located in Landsberg am Lech, Germany) was appointed as Mr. Erhard Landes' successor and as member of the supervisory board by shareholders at the annual general meeting on 16 July 2015.

The supervisory board elected Mr. Georg Koch as Mr. Erhard Landes' successor at the agricultural committee meeting of 15 July 2015, effective as of the adjournment of the annual general meeting held on 16 July 2015.

The following changes occurred on the executive board in fiscal 2015/16: Dr. Lutz Guderjahn

resigned from the executive board effective 30 April 2015 and ceased working for the company. Responsibility for his portfolio was transferred to executive board members Dr. Wolfgang Heer, Dr. Thomas Kirchberg, Thomas Kölbl and Johann Marihart. Südzucker AG thanks Dr. Lutz Guderjahn for the work that he did and wishes him all the best for the future.

Together with the executive board, the members of the supervisory board would like to pay their respect to those active and former employees of the Südzucker Group who passed away during the year. The supervisory board thanks the executive board and all employees of Südzucker AG and its affiliated companies for their performance during the year.

Mannheim, 18 May 2016

On behalf of the supervisory board

Dr. Hans-Jörg Gebhard

Chairman

# MANAGEMENT Report

## About the group

### Corporate strategy

Responsible conduct is a prerequisite to long-term economic success. It is because of this that Südzucker pursues a strategy of value-based, profitable growth geared towards a balance between economic and ecological factors as well as social responsibility and focuses on its core competencies and guiding principles. Corporate management is committed to conducting business sustainably, whereby the key principle is to carefully handle all resources deployed.

#### TAKE ADVANTAGE OF MEGATRENDS

Südzucker Group's four segments conduct business in sectors that will also benefit both in the medium and long term from global megatrends such as the expanding world population, rising incomes – especially in the emerging economies, where dietary habits are changing accordingly – and the increasing demand for food, animal feed and energy. These megatrends remain intact and will therefore keep driving growth and offering new perspectives. For example, global sugar consumption is expected to continue to increase 2 % to 3 % per annum – from the current 182 million tonnes to about 200 million tonnes in 2020. We continue to align our business divisions to meet rising demand for agricultural raw materials, food, animal feed and renewable energies.

#### STRENGTHEN MARKET POSITION

A key competitive advantage in our markets is size. That is why we want all of our divisions to seize opportunities as they arise, either through organic growth, alliances or acquisitions. Our goal remains to be number one or a strong number two in our target markets.

Our company's strong cash flow and investment grade rating provide us with excellent access to international capital markets and are very important to achieving this goal. In doing so, our priority is always to have a solid financing strategy.

#### FOCUS ON CORE COMPETENCIES

Our main core competence remains the large-scale conversion of agricultural products, which encompasses all steps in the value chain from raw material procurement, through production, up to including knowledge of our markets and customer relationships. The focus of our daily work is on continuously developing this knowledge so that we can adapt our business conduct to changes in general conditions and continue to successfully compete.

## ENHANCE DIVERSIFICATION – TAP SYNERGIES

We maintain a balanced risk profile by diversifying our portfolio of products and services and spreading it out across a wide range of geographic locations. This continues to be our approach.

Our growth activities should focus on our core competence so that we can tap synergies along the entire value chain – from raw material cultivation through added value stages to the end customer. This conserves natural resources and contributes to business success. This is particularly evident at the locations where we produce products for different segments.

## TARGETED VALUE INVESTMENTS

We will strengthen all of our divisions in order to secure future growth. In addition to investing in replacements and energy efficiency improvements in the sugar and ethanol segments, we will continue to press forward with the internationalization strategy of the sugar segment by continually evaluating acquisition opportunities. We are also open to new investments outside the sugar and CropEnergies segments. One area of focus is the construction and expansion of multipurpose sites, where we are making cross-segment investments.

## FOSTER EMPLOYEES

The success of our company is supported by the specialist expertise, experience, social skills and commitment of our approximately 16,500 employees worldwide. Various human resources policy measures are implemented with the aim of supporting the company's strategy and enabling our employees to successfully respond to changing conditions.

## SEGMENT STRATEGIES

When the regulations regarding minimum beet price and quotas expire on 30 September 2017, volume and price fluctuations will have an even greater impact than before on the EU sugar market. At the same time, the lifting of export restrictions for European beet sugar will provide greater export opportunities, which we want to exploit in partnership with the British trading company ED&F Man Holdings Ltd., London.

As Europe's largest supplier of beet sugar with high-performance factories in the most competitive beet growing regions of Europe, Südzucker considers itself well positioned in this changing market environment. Thanks to its production facilities in the European core markets and thus its proximity to industrial customers and the key sugar consumption markets, Südzucker is today already able to supply customers all over Europe with sugar products at optimum prices.

To further boost competitiveness, Südzucker continually cuts costs and improves the logistics processes in its sugar segment. This will include fully utilizing the capacities of its existing beet sugar factories in future.

Not only the sugar segment, but also the other business segments will benefit from the rising global demand for food, animal feed and energy. The strategy of the special products and fruit segments is to become global players and extend their core product lines – including by increasing the degree of value added. The CropEnergies segment's strategy is to strengthen its European position and fully utilize the existing capacities over time.

## OUR GUIDING PRICIPLES

- Our aim is to compete fairly, set benchmarks in our business fields and continue to be successful by innovating and delivering high quality, excellent service and reliability.
- In doing so, we must adhere to our corporate compliance principles.
- We have a long-standing tradition of conducting business sustainably – from the farming methods we apply to produce raw materials to our processes along the entire value chain.
- Our goal is to be a responsible employer that helps its employees fulfill their potential and takes into consideration and values their individual personalities.
- Our experience and expertise in marketing, sales and logistics make us a reliable partner for our customers.
- We augment Südzucker Group's innovation strength with intragroup competency in research and development and by cooperating with other entities.
- In the capital markets, we stand for transparency and an open dialogue with all stakeholders.

**We create value that generates sustainable, rewarding corporate growth**

## Group structure and corporate management

### GROUP STRUCTURE

Südzucker AG, a German stock corporation based in Mannheim, is the parent company of Südzucker Group and also its largest operating company. The consolidated financial statements include the parent company – Südzucker AG – and 153 (157) other entities, of which Südzucker AG is directly or indirectly the majority shareholder. A total of 16 (15) of those entities were accounted for in the consolidated financial statement using the equity method. For additional details about Südzucker's share ownership in other companies, please see the list of shareholdings beginning page 74 ("List of shareholdings in accordance with section 313 (2) HGB") in the notes to this annual report.

Südzucker Group comprises four segments: sugar, special products, CropEnergies and fruit. The sugar, special products and fruit segments are further subdivided into thirteen divisions that manage the operating daily businesses. The CropEnergies segment is managed as an independent corporate entity.

The group's departments are as follows: business administration/controlling, procurement of operating supplies, purchase of capital goods, maintenance supplies and services, finance and accounting, research/development/services, animal feed/byproducts, engineering, investor relations, agricultural research, food law/consumer policies/quality assurance, real estate/insurance, public relations, organization/IT, human resources, legal, internal audit, taxes, strategic corporate planning/group development/shareholdings, sugar sales/sugar trading, sugar/production and sugar/beets. Administrative tasks are handled at shared finance centers and research activities at several research centers.

**SUGAR SEGMENT** The sugar segment comprises the sugar business unit with its four divisions located in Belgium (Raffinerie Tirlemontoise S.A., Tienen), Germany (Südzucker AG, Mannheim), France (Saint Louis Sucre S.A.S., Paris) and Poland (Südzucker Polska S.A., Wrocław) as well as distributors in Greece, the United Kingdom, Italy and Spain. The AGRANA sugar division's production operations are located in Austria, Romania, Slovakia, the Czech Republic and Hungary. There is also a sugar production division in Moldova (Südzucker Moldova S.A., Chisinau) and an agricultural division (Südzucker AG, agricultural and Agrar und Umwelt AG Loberaue, Rackwitz). The following entities have been accounted for in the consolidated financial statements using the equity method: British trading company ED&F Man Holdings Ltd., the Studen Group (including its sugar production operation in Bosnia) and Maxi s.r.l., an Italian marketing joint venture.

**SPECIAL PRODUCTS SEGMENT** The special products segment is comprised of four divisions: BENEIO, Freiburger, PortionPack Europe and starch. BENEIO produces and sells functional food ingredients made from various raw materials. The ingredients provide dietary and technology benefits when processed into food and animal feed end-products. Freiburger Group produces chilled and frozen pizzas as well as frozen pasta dishes and snacks and focuses strongly on the private label business. PortionPack Europe specializes in developing, packaging and marketing portion packs. The starch division comprises AGRANA's starch and bioethanol business, which includes Austrian potato, corn and wheat starch manufacturers, a corn starch factory in Romania and bioethanol producers in Austria. The starch division is also responsible for the wheat starch plant at the Zeitz location. The

starch and bioethanol businesses of Hungrana in Hungary are consolidated at equity.

**CROPENERGIES SEGMENT** Südzucker Group's bioethanol business, with its four production sites in Germany, Belgium, France and the United Kingdom as well as trading activities in Brazil and Chile, is managed under the CropEnergies segment as a listed stock corporation. CropEnergies is a leading manufacturer of sustainably produced bioethanol for the fuel sector in Europe. The company also produces food and animal feed. CropEnergies owns 50% of CT Biocarbonic GmbH, which has been operating a food-grade CO<sub>2</sub> liquification plant in Zeitz since 2010. This company is included in the consolidated financial statements as an equity-accounted investment.

**FRUIT SEGMENT** The fruit segment is comprised of the fruit preparations division (AGRANA Fruit) and the fruit concentrates division (Austria Juice). The fruit segment's companies conduct business around the globe and supply international food companies, especially in the dairy, baked goods, ice cream and soft drinks industries.

## GROUP MANAGEMENT

Südzucker AG's executive board independently manages the businesses and is supervised and guided by the supervisory board. The executive board is bound to work in the corporation's interests and is responsible for increasing long-term shareholder value. The executive board members are jointly responsible for managing the entire company. Notwithstanding the overall responsibility of all executive board members, individual board members bear sole responsibility for carrying out the decisions made by the executive board that concern the portfolios they handle. The executive board's rules of procedure outline the details of the board's work. Südzucker AG's articles of association stipulate that im-

portant business transactions are subject to the consent of the supervisory board.

The executive board is responsible for appropriate risk monitoring and management at the company and ensures that the law, regulatory codes and internal corporate guidelines (compliance) are adhered to. It also makes sure that executive management positions are appropriately filled.

The segments'/divisions' management organizations manage the operational daily business in accordance with national laws and Südzucker's internal rules and procedures. The company uses a matrix organizational structure, whereby the line functions are supported and advised by central departments, which are authorized to issue directives.

**VALUE BASED MANAGEMENT** The corporation's policies focus on steadily improving shareholder value. The objective of Südzucker's value-based management system is to generate a higher return on capital employed than the cost of capital in each segment and division and thus create added value for the company's shareholders.

Südzucker uses a consistent group-wide reporting and budgeting system together with centrally defined key indicators such as operating profit and return on capital employed to achieve this value-based corporate management.

When calculating operating profit, the income from operations reported in the income statement is adjusted to reflect the results of restructuring and special items as well as companies consolidated at equity. Capital employed comprises the invested items of property, plant and equipment plus acquired goodwill and working capital as of the reporting date. Return on capital employed, or ROCE, is the ratio of operating profit to capital employed. Südzucker calculates the cost of capital for the operating assets as the

average of equity and debt capital. The costs of capital are specified for the segments and divisions by taking into account the respective country and business risks. Currently Südzucker Group's primary indicators for management purposes are the financial performance indicators.

**FINANCIAL MANAGEMENT** Südzucker's financing bases on a sustainable cash flow generation, a stable relationship with the company's various shareholder groups, access to international capital markets and reliable banking relationships. The foundation for the financing is the company's investment grade rating, which secures the company's access to equity and loan financing instruments. Südzucker operates an optimal mix of financial instruments, taking into consideration terms to maturity and interest rates, including hybrid equity capital, bonds, promissory notes and bank credits. The unique financing requirements during the fiscal year due to the seasonality of the sugar sector (fi-

nancing beet purchases and inventories) means that securing short-term cash is an important aspect of the financial structure. These short-term financing needs are primarily covered through a commercial paper program in the amount of € 600 million and syndicated and bilateral credit lines.

The capital structure is managed alongside a long-term outlook and focuses on the factors associated with an investment grade rating. The key indicators Südzucker uses to manage its capital structure are the debt factor (ratio of net financial debt to cash flow), debt to equity ratio (net financial debt as a percentage of equity) and the equity ratio (equity as a percentage of total assets).

However, for Südzucker AG, pursuant to the provisions of the Commercial Code (HGB), the metrics sales revenues, operating result (HGB) and net financial debt are the key figures for corporate management.

## Research and development

### Overview/major projects

The research, development and services department's focus is on optimizing and enhancing the company's numerous processes – including from an energy perspective –, extending and optimizing existing product lines, as well as developing new products and product concepts for the food and non-food sectors. The team

works intensively on topics along the entire value chain, starting with agricultural raw materials, to process technologies for extracting and processing our products, up to and including application concepts for customers. Research and development activities aimed at fulfilling sustainability requirements are front and center. Collaboration with research institutes, universities and other companies rounds out the company's range of research undertakings.

142 (146) employees are responsible for tasks in the area of research, development and technological services at Südzucker AG; the total expenditure in 2015/16 for research, development and technological services was €'000 20,345 (18,074).

## Sugar

**Process technology** The focus in the process technology area is driven by the pending structural shift in the European sugar industry. The emphasis is on further improvements in sugar extraction and energy consumption, as well as preparing for longer campaigns. Sugar production specialists work with researchers to develop models capable of evaluating the efficiency of selected process segments, so that they may subsequently implement targeted process improvements to boost sugar yield, cut energy consumption and save on operating supplies.

The longer campaigns planned for the future are expected to result in deteriorating beet quality and frost damage. A promising approach to processing such raw materials is a new, patented juice purification process that reduces the load on downstream process segments, and thereby could enable the factories to maintain the same processing capacity for longer periods of time. A cost-benefit analysis of the required investments is currently being conducted.

A groupwide project has been launched to harmonize Südzucker Group's various beet processing methods. This includes evaluating potential optimization initiatives that would further improve efficiency, taking into consideration local conditions and the available technical equipment.

**Product development** New additives are being blended into existing recipes to cater to market trends such as clean labeling or the use of functional ingredients. The department develops both brand-name and brand-labeled retail products for the entire group. The main focus is on regional and country-specific products for the European market.

It is also working hard on developing and implementing new production concepts for candies, nibs sugar and Compri sugar.

## Functional food ingredients

**Process technology** The production of Palatinose™ from sucrose is a biochemical catalization process. After a thorough analysis, the biocatalyzer was optimized and put back into production in order to optimize the utilization of the raw material sucrose.

Exclusively treating native rice starches and rice flours physically improved their properties so much that their application profile compares to that of chemically modified starches. This makes the starches suitable for clean label products. The findings from the pilot plant are currently being applied in the construction of a production scale system.

**Dietary and physiological aspects** Further positive physiological properties and health-related claims related to Palatinose™, inulin and oligofructose have now been proven based on nutritional scientific research and experiments. An example is the documented positive impact of Orafiti®Synergy1 on feeling full when eating and the associated positive impact on calorie intake.

**Product development** Developing products in the functional food ingredients area presents a wide range of challenges. The focus is on taking advantage of the various specific product properties and benefits to the optimum extent possible.

Development is continuing on the potential uses of galenIQ™ in tablets, coated products and powder applications. For inulin, the focus is on formulas to reduce sugar and fat in baked goods and dairy products. The department was able to systematically derive technological advantages of isomalt for a wide variety of chewing gum applications: chewing gum base, coated chewing gums, strip chewing gums and liquid filled chewing gums. The use of isomalt in hard caramels was further enhanced in a joint project with customers. Further progress was made on the newly introduced concept of using Palatinose™ in icing for baked goods in order to extend shelf life and reduce stickiness. The department is also investigating various ways to use Palatinose™ in desserts, beverages and various confectionary items.

The department is using starch and rice flours to develop gluten-free dough recipes to make bread, cake, noodles and pizza in order to meet the growing demand for gluten-free food. Work has started on optimizing rice starch properties that impact texture, especially in fermented dairy products.

Textured gluten and rice flour can replace meat proteins in food, thereby conserving resources and catering to demand for vegetarian and vegan foods. Associated application-related developments are steering more and more in this direction. Initial products have been introduced to market.

## Starch

**Raw materials** A pilot project was launched to extract and analyze the properties of special starches from newly cultivated plant varieties. The pilot plant built to process these new varieties is capable of splitting between 150 and 700 kg of raw material per batch into its main components. In this way, the innovative starches can be extracted in commercial grade quality and subjected to application related testing – especially for food applications, but also for technical uses.

**Food** The property profiles of finished starches could only be modified to a limited extent using the currently typical production process for cold swelling starches for the food sector. To overcome this, a newly developed process was successfully implemented on a pilot project scale, from which a wide variety of various cold swelling starches could be extracted. Initial results show that starches produced using the new process dissolve more easily and exhibit better thickening performance than roll dried products.

**Non-Food** Sustainable solutions in technical applications of starches are becoming increasingly important. The department has taken advantage of synergies within the group to develop custom starch products meeting the demands of the growing worldwide consumer interest in natural products.

In a project sponsored by the Agency of Renewable Resources (FNR), the department developed new starch products for the topcoat as a replacement for crude-oil-based latex solutions. This enables manufacturers of high-gloss papers to meet sustainability specifications in the coated papers fishing area.

Innovative starch products have been applied in new textile printing processes. The starches exhibit excellent, stable solution behavior and produce outstanding printing results. The department developed processes for glues that improve the characteristics of high quality glues to the extent that a lesser amount can be applied.

One forward-looking project is the development of biologically degradable plastics based on the renewable resource starch. Specially modified new thermoplastic starches have been developed that can be used in a wide variety of different packaging materials, such as plastic films and rigid packages. So a starch-based raw material for manufacturing sustainable and biologically degradable plastic bags is now available. Positive claims can be made about the product.

## Bioethanol

The aim is to use as wide a range of raw materials as possible for fermentation at the bioethanol production plants. In this connection, the focus continued to be on evaluating new commercially available enzymes and yeasts for use in the various biotechnology process steps.

The department is also focusing on identifying and executing projects with the potential to save energy. As progress is made on process optimization and adaptation, changes are made to the various CropEnergies Group plants.

The department also evaluated and implemented many process optimization projects. These resulted in achievements such as increasing the bioethanol drying capacity in Wanze (Belgium), improving and boosting the capacity of the DDGS pelletization process in Zeitz and optimizing the gluten drying system.

The department also processed questions to support sales and participated in the German and European standardization process for ethanol and ethanol-based fuels. It also supported research activities looking into ways to allow fuels with a higher ethanol content to be used. The focus is on improving the energy efficiency of such fuels in comparison to conventional gasoline.

## Fruit

Last fiscal year, the main focus was on consolidating the individual projects aimed at continuously improving the quality of producing and marketing/selling fruit preparations along the entire value chain. Here the innovation strategy consists of executing market oriented projects. The common goal of all of these activities is to avoid changing the natural texture of the various fruits and to retain their natural aroma and color.

Decisive progress was made on microbiological characterization in the area of raw material procurement. Work also began on improving the microbiological standards using innovative handling methods for raw fruit materials.

Special drying technologies are being developed and introduced that aim to increase productivity and profitability when producing fruit preparations. Various ways to apply this process are being investigated. The aim is to improve the quality of fruit preparations.

In collaboration with universities, researchers are attempting to significantly improve the organoleptic properties of fruit preparations by optimizing process parameters and plant designs.

The department is working with a long-standing business partner to develop marketable product innovations for ice cream.

## New products and technologies

**Proteins** More than ever, Südzucker is working on integrating new processes and process technologies according to the biorefinery concept in order to further boost the efficiency of existing plants and processes. Coupled usage paths for energy recovery and material recycling in by-product processes are seen to be very promising.

These activities are bundled in the protein platform. A project was launched in close cooperation with technical research partners in conjunction with the Joint Technology initiative JTI Bio-based Industries (BBI) that aims to identify new products that contain protein. The goal is to isolate products for the food sector that to date have only been used for animal feed in the by-product process streams, in order to even better utilize the value added potential of our production plants.

**CO<sub>2</sub> as a raw material** In conjunction with its innovation alliance for industrial biotechnology, the Federal Ministry of Education and Research (BMBF) has deemed that the ZeroCarb FP research alliance, of which Südzucker is a member, is eligible for government subsidies. The consortium has produced excellent results that already indicate that CO<sub>2</sub> can be used as a source of carbon in fermentation processes. The focus is on developing a cultivation process for a microorganism that binds CO<sub>2</sub> and supplies

intermediary chemical products, which can then be sold as sustainable organic-based raw materials for chemical applications.

**Algae** Carbon dioxide from the bioethanol plant in Zeitz was successfully used to produce algae. This project, supported by BMBF, has brought to light important findings related to cultivating starch forming algae in photobioreactors. Products have been isolated and properties identified that demonstrate excellent behavior compared to competitive products.

## Agricultural raw-materials

Key research fields related to agricultural raw materials – especially sugar beets – at Südzucker Group are for example: new cultivation methods, crop rotation, integrated plant protection, location and crop-specific fertilization, low loss harvesting processes and long-term storage. A further area of activity is the networking of all operating data to optimize production processes (smart farming) and to improve soil fertility. The last two issues in particular are highly topical and offer opportunities, in collaboration with other companies and universities, to increase efficiency for all agricultural raw materials while simultaneously reducing costs.

The department conducts practical field tests on new varieties exhibiting high, stable yield in combination with resistance to important pathogens and herbicides from the sulphonylureas group. It conducts research on the integrated use of plant protection agents and develops ways to control new pathogens and/or weeds. The experimental issues with regard to plant protection are coordinated with the future challenges of the national action plan on the sustainable use of plant protection products of the German Federal Ministry of Food and Agriculture, whose goals include, among other things,

risk minimization in the use of plant protection products.

The knowledge transfer from the research department to the agricultural production departments, the coordination of experiments taking into consideration the respective national inter-

ests and/or constraints, the provision of the results generated in a form usable by all Südzucker Group stakeholders, all form the basis for intensive consultation with raw material suppliers, with the ultimate objective being to protect the environment and sustainably improve efficiency.

## Employees

Südzucker AG employed an average of 2,446 (2,412) persons during the financial year.

There were no material changes in the number of employees by region. Almost one-quarter of all employees continue to work in Germany; slightly over half in other EU countries. Nearly 9 % of the employees work for the group companies in Eastern European countries. Just under 15 % of the workforce is employed outside Europe, i.e. in other countries around the world.

**Percentage of women in the group** The percentage of women employed throughout Südzucker Group in 2015/16 was 31 %, with women holding 20 % of the leadership positions.

Südzucker is implementing the law in Germany regarding equal participation by women and men in leadership positions in the private and public sectors. Südzucker AG resolved to raise the percentage of women at the first and second management levels to 10 to 15 % from the current 9.7 % and 6.8 %, respectively by 30 June 2017.

The responsibility of the group functions anchored in the matrix organization will continue to increase as progress is made in terms of internationality and HR development, which is driven by diversity. This is for instance evident in sugar sales, where this trend is already taken into account when recruiting young talent. In addition, regional sales activities are now more centralized to effectively compensate any fluctuations and to continue making preparations for the market changes expected after the expiry of quota regulations.

**Age distribution and length of service** The age distribution of our employees continues to be balanced. However, the share of older employees will increase in coming years due to the raising of the statutory retirement age and the ending of some early retirement programs. The company is aware that it must prepare and take appropriate measures in order to create the necessary conditions.

The average length of service remains high throughout the group at 13 years and also proves that Südzucker is an attractive employer. The turnover rate, which includes employment relationships terminated by the employee or the employer, was less than one percent in the year under review. New hires are at about the same level as last year.

It should be mentioned here that Südzucker once again placed at the top of employer attractiveness rankings and has held a leading position in its industry for years. Fair remuneration, modern benefits and good conditions for work along with the corporate culture make an important contribution to creating a good working environment in which employees can feel comfortable.

**HR development/training and continuing education** We are presently examining our cost structures, especially in the sugar segment's companies. Any necessary restructuring measures will also impact the employees in these areas. It is especially important in phases like this to have skilled, motivated and flexible employees, which is why we will continue to offer seminars, training and coaching with a special focus on teaching "soft skills". Cross-cutting measures are another priority, which broaden employees' view of the group as a whole and give them the depth and perspective they need to build networks that enable them to meet the growing global demands in their areas of work.

Trainee programs remain an integral part of HR development, especially in the technical, scientific and agricultural areas, and prepare young employees to take on responsibilities and tasks within the group. These programs form a fundamental cornerstone of successful succession planning and make the company somewhat less reliant on the external labor market.

**Vocational training at Südzucker AG and in the group** Basic vocational training continued at a high level, which not only demonstrates the company's commitment to social responsibility but is also a preventive measure to prepare us for the expected shortage of skilled workers. Last year Südzucker AG alone had 225 individuals enrolled in ten different apprenticeships. This means that we even slightly increased our apprenticeship ratio, which has been around 10 % for many years.

**Occupational health and safety** Occupational health and safety programs are essential to the continued success of Südzucker Group. These programs are based on a work safety management system that defines procedures for risk evaluation, accident analysis and training, as well as responsibilities. Risk assessment analyzes both the physical aspects and the psychological stress experienced at work using a method developed by the University of Heidelberg.

Employee training plays a key role in work safety and includes not only recurring training as required by law, but especially maintaining a continuous dialogue on the topic of work safety so that it is always on employees' minds. The company highlights a particular topic and issues information accordingly every month, and also organizes safety drives at the locations. The "challenge cup", an annual work safety contest, and the "Best-in-Safety" award are other measures that promote employee awareness of the importance of safety in the workplace.

As a member of the sugar industry association “Verein der Zuckerindustrie”, Südzucker actively supports the “VISION ZERO. Zero Accidents – Healthy at Work!” cooperation agreement between this employers’ association and the professional association “Rohstoffe und chemische Industrie”.

The number of work-related accidents with working days lost based on one million hours worked fell in 2015 to 11.8 from 13.7 the year prior. However, the average number of days lost per accident increased year-over-year from 13.3 to 17.1. Overall, the number of work-related accidents is comparatively low and the accident-related lost work hours are very low. This success was achieved with the help of both employees and managers.

Health promotion is an important issue at Südzucker Group, which is why we offer employees a variety of health courses and training opportunities in this area. Our staff sickness rate was about 4 %.

**Südzucker as a responsible employer** Südzucker deals with its employees according to the Südzucker code of conduct which, among other things, prohibits discrimination, harassment, child and forced labor, and declares the company’s commitment to freedom of assembly, health and safety in the workplace. The code of conduct is an integral part of purchasing terms and conditions, also for suppliers and service providers.

In addition, Südzucker offers various programs that help employees improve their work-life balance with flexible working arrangements that include flextime, part-time or home office work. A number of locations offer employees with children daycare services during school holidays; the site in Vienna, Austria even has its own kindergarten.

Old-age benefits and financial security also play a major role at Südzucker AG, which is apparent in the company pension plan whose most recent reform now offers new employees who join Südzucker AG the opportunity to increase their pension contributions by making additional payments, which the company then honors as part of deferred compensation.

**Employee suggestion program** The number of improvement suggestions submitted in Germany at Südzucker AG, CropEnergies AG and BENEOPalatinit GmbH has remained at a high level for many years. Together with the quality of the suggestions, this shows that employees are motivated to successfully contribute their specialized knowledge, make processes more efficient and reduce costs.

**Dialogue with employee representatives – European Works Council** Representatives of the European Works Council from Germany, Austria, Belgium, France, Poland and Hungary held this year’s annual meeting at the renovated head office in Mannheim. As always, it was an interesting event with discussions on topics that have a transnational impact.

**Thank you from the executive board** Employees are a company’s most important asset. The executive board is well aware of this, and would like to express its thanks and appreciation to all employees for the work they do, which is not always easy to accomplish in difficult times. The executive board is proud of its loyal and motivated employees – and also of the communication with employee representatives, which is so critical in times of change. We would therefore also like to thank the works council members for their willingness to discuss important issues and for their constructive collaboration.

## Corporate Governance

The following is the report on corporate management in accordance with article 289a, paragraph 1 of the German Commercial Code (HGB) and corporate governance as per item 3.10 of the German Corporate Governance Code. The declaration regarding corporate management and the corporate governance report are published on Südzucker's website

[www.suedzucker.de/de/Investor-Relations/Corporate-Governance/Corporate-Governance-Bericht-Erklaerung-zur-Unternehmensfuehrung](http://www.suedzucker.de/de/Investor-Relations/Corporate-Governance/Corporate-Governance-Bericht-Erklaerung-zur-Unternehmensfuehrung).

## Supervisory board and executive board operating procedures

The following summary outlines the operating procedures of the executive and supervisory boards in accordance with article 289a, paragraph 2, item 3 of the German Commercial Code (HGB).

**GENERAL INFORMATION** Südzucker AG is a German stock corporation and as such has a dual management structure consisting of an executive board and supervisory board, each having members with independent expertise in different areas. The executive and supervisory boards work on the basis of mutual trust and closely cooperate to manage and supervise the company.

**EXECUTIVE BOARD** Südzucker AG's executive board currently consists of four members. The management body independently manages the company's businesses in the interests of the corporation with the aim of generating sustainable added value. The duties assigned to the ex-

ecutive board members are outlined in the rules of procedure for the executive board dated 26 January 2016.

Some executive board members have dual responsibilities with respect to the subsidiary AGRANA Beteiligungs-AG, Vienna, Austria. The CEO of AGRANA Beteiligungs-AG, Johann Marhart, Limberg, Austria, is also a member of Südzucker AG's executive board and the CFO of Südzucker AG. Mr. Thomas Kölbl, Speyer, is also a member of the executive board of AGRANA Beteiligungs-AG.

Südzucker AG's executive board members are also either members or chairs of the supervisory boards of Südzucker Group's major subsidiaries.

**SUPERVISORY BOARD** The supervisory board supervises and advises the executive board in its management of the company. It is involved in strategy and planning, as well as all issues of material importance to the company. For important business processes, such as budgeting and strategic planning, acquisitions and divestments, the rules of procedure of both the executive board and the supervisory board stipulate that decisions are subject to approval by the supervisory board. The chair of the supervisory board coordinates the supervisory board's work, chairs the meetings and speaks on behalf of the panel to the outside world.

The executive board submits comprehensive, timely reports regarding planning, business developments and the group's positioning to the supervisory board – in writing and at regular meetings. Risk management and compliance are additional key reporting topics. If necessary, extraordinary meetings are held with the super-

visory board to discuss important issues. The supervisory board has established rules of procedure for its work, which are in force as per the version dated 26 November 2009. The shareholder representatives and employee representatives always meet separately to prepare the supervisory board meetings.

**SUPERVISORY BOARD STRUCTURE** Südzucker AG's supervisory board consists of twenty members as per the articles of incorporation, of which ten are elected by the shareholders and ten by the employees. The terms of office are identical. The term of office of all supervisory board members runs until the adjournment of the annual general meeting in 2017, at which shareholders will vote on ratifying the board's actions for fiscal 2016/17. There are no former Südzucker AG executive board members on the supervisory board. Ms. Veronika Haslinger, Vienna/Austria, is a member and the supervisory board's and audit committee's financial expert with specialized expertise and experience in the use of accounting principles and internal control procedures.

**DIVERSITY GOALS** As per a resolution passed on 25 November 2010, which was confirmed by the newly constituted supervisory board on 20 November 2012, the supervisory board is aiming for the following diversity targets in its future composition, in consideration of the sector, the size of the company and the share of international business activity:

- Maintain the number of independent members at the appropriate level, considered to be two.
- Maintain the number of persons that especially meet the internationality criterion at the appropriate level, considered to be two.

The target for an appropriate level of women representatives on the supervisory board was updated following the enactment of the law on 1 May 2015 regarding equal participation by

women and men in leadership positions in the private and public sectors. The targets will be explained in the following corporate governance report.

The supervisory board's rules of procedure state that supervisory board members must step down from the board at the end of the financial year in which they turn seventy.

The supervisory board will continue to recommend candidates at the annual general meeting who are most suited to sit on a supervisory board, whereby the aforementioned diversity goals will be duly considered.

The degree to which these goals have been achieved as of the time of this report are as follows:

The regular elections of employees' representatives by the workforce and of shareholder representatives by shareholders at the annual general meeting were held in 2012. At the annual general meetings in 2014 and 2015, special elections were held for shareholder representatives who had resigned. The supervisory board since then has at least two independent members, which satisfies code requirements ("not independent" as per item 5.4.2 of the German Corporate Governance Code is anyone who has a personal or business relationship with the company, its organs, a controlling shareholder or company associated with these, which could result in a material and not merely temporary conflict of interest). At least two members in particular meet the criterion of "internationality". The supervisory board has four women members – two representing the employees and two representing shareholders.

**SUPERVISORY BOARD COMMITTEES** The supervisory board has formed an executive committee, audit committee, agricultural committee, social committee and mediation committee from among its members. These committees prepare and supplement its work. The executive and

mediation committees each consist of four members. The other committees have six members each, with an equal number of shareholder and employee representatives. The duties of the executive board and the other committees are outlined in the supervisory board rules of procedure version dated 26 November 2009. In addition, the audit committee's rules of procedure version dated 21 July 2009 apply to the audit committee. The current members of the committees are presented in the notes of the consolidated statements under item 37 "Supervisory board and executive board".

#### **SHAREHOLDERS AND ANNUAL GENERAL MEETING**

Südzucker AG's shareholders exercise their voting and control rights at general meetings held at least once a year. On an annual general meeting, shareholders vote on all issues as per the statutory requirements. The decisions are binding for all shareholders and the company. Shareholders are entitled to one vote for each share held.

Every shareholder meeting the general requirements for participating and exercising voting rights and who registered by the due date is entitled to participate in the annual general meeting. Shareholders who are unable to attend personally have the option of exercising their voting rights by proxy through a financial institution, a shareholder association, Südzucker AG appointees who are bound by the directives of the shareholders or by some other authorized representative of their choice. Shareholders also have the option of submitting their vote in advance of the general meeting via the Internet or to give instructions to Südzucker AG's proxies via the Internet.

**2016 ANNUAL GENERAL MEETING** The invitation to the annual general meeting scheduled for 14 July 2016, as well as the reports and information required for the resolutions will be published in accordance with the rules of the German Stock Corporation Act and made available

on Südzucker AG's website

([www.suedzucker.de/de/Investor-Relations/Hauptversammlung](http://www.suedzucker.de/de/Investor-Relations/Hauptversammlung)).

**RISK MANAGEMENT** Responsible management of business risks is fundamental to good corporate governance. Südzucker AG's executive board and Südzucker Group's managers make use of group-wide, company-specific reporting and control systems to detect, evaluate and manage these risks. The executive board regularly keeps the supervisory board abreast of existing risks and how they evolve. The audit committee deals mainly with monitoring the accounting process and the annual audit of the financial statements. It also reviews and verifies the effectiveness of the internal control systems, the risk management process and the internal auditing process. Details regarding risk management are outlined in the risk report.

## **Corporate governance report**

Corporate governance aims to ensure that companies are managed and controlled responsibly and that they provide lasting shareholder value. The following corporate governance report is prepared in accordance with article 289a, paragraph 2, item 1 of the German Commercial Code (HGB). Effective and efficient cooperation between the executive and supervisory boards ensures transparency and the claim to keep shareholders and the public fully informed in a timely manner. The corporate governance report published here by Südzucker AG complies with legal requirements and the German Corporate Governance Code rules as per the 2015 amendment.

Effective corporate governance is a given at Südzucker and has been practiced since many years. The company's policies are consistent with the recommendations of the German Corporate Governance Code and compliance is a key executive board and supervisory board responsibility.

Südzucker regards the current version of the German Corporate Governance Code dated 5 May 2015 as largely balanced, practical and of high standard when compared internationally. As in previous years, we have thus not found it necessary to prepare individual, company-specific corporate governance principles. We comply with the recommendations of the code with the exception of the items outlined in the declaration of compliance.

### DECLARATION OF COMPLIANCE 2015

In the mutual declaration of compliance by the executive board and supervisory board for 2015, the following exceptions to recommendations were added as an amendment to the previous year's declaration:

**Item 4.3.3 Paragraph 4 (executive board/conflicts of interest)** Going forward, Südzucker AG will adjust its standard rules of procedure for the executive board to comply with the new code recommendation with respect to conducting business transactions with a person or company related to an executive board member only with the approval of the supervisory board. As a precaution, an exception is taken to this requirement until the new requirement in the standard rules of procedure has been issued.

The supervisory board amended the standard rules of procedure for the executive board accordingly in its meeting of 26 January 2016.

**Item 5.4.1 (Diversity goals for composition of the supervisory board)** A time limit for membership on the supervisory board will not be set. This will enable continuity and ensure that the many years of supervisory board expertise can serve the interests of the company.

The complete version of the mutual 2015 declaration of compliance by the executive board and supervisory board – as well as the declaration of compliance for prior years – is posted on

Südzucker's website

([www.suedzucker.de/en/Investor-Relations/Corporate-Governance/2015\\_Declaration\\_of\\_compliance.pdf](http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/2015_Declaration_of_compliance.pdf)).

### GENDER QUOTA

The amendment to the German Stock Corporation Act that came into force on 1 May 2015 stipulates that listed and co-determined companies have a fixed gender quota of 30 % on the supervisory board and that listed companies set targets for the number of women on the supervisory board, executive board and the two management levels below the executive board.

In its meeting of 15 July 2015, the supervisory board resolved that the percentage of women on the executive board remain at 0 % until 30 June 2017.

In its meeting of 21 September 2015, the executive board resolved to raise the percentage of women at the first and second management levels below the executive board level from the current 9.7 % and 6.8 % to 10–15% each by 30 June 2017.

### REMUNERATION

**Executive board** Südzucker AG's executive board compensation consists of a fixed annual base salary, a variable incentive component based on the average dividends of the previous three years, a company pension plan, which is mainly based on a fixed percentage of the annual base salary, plus payments in kind. The remuneration does not include any share-based compensation or comparable long-term remuneration components. Since the Act on the Appropriateness of Management Board Compensation (VorstAG) came into force, the executive committee has prepared the executive board's compensation, which is defined by the full supervisory board and reviewed at regular intervals. Article 87, paragraph 1 of the German Stock Corporation Act, revised by VorstAG, states that the remuneration system for listed

companies must be based on sustainable corporate growth and that variable compensation components must therefore be based on terms longer than one year. The statutory requirement regarding a term longer than one year is met by basing the variable component on the average dividend of the three previous fiscal years.

**SUPERVISORY BOARD** The supervisory board is compensated in accordance with article 12 of Südzucker AG's articles of incorporation.

Each member of the supervisory board receives a basic remuneration in addition to the reimbursement of his or her cash outlays and the value-added tax incurred arising from supervisory board activities. This base amount consists of a fixed sum of € 60,000 payable at the end of the fiscal year plus a variable remuneration of € 500 for each € 0.01 of distributed dividends on ordinary shares exceeding € 0.50. Tax-related special dividends are not considered in the remuneration calculation. The chair receives triple this amount and the deputy and other members of the executive committee receive one-and-a-half times this remuneration. Committee members' remuneration increases by 25 % for each committee of which they are a member and committee chairs' by 50 %, assuming the committee actually met during the fiscal year. The latter does not apply to members of the executive and mediation committees. As discussed in detail in the declaration of compliance, Südzucker AG does not disclose the level of compensation of individual executive and supervisory board members because the benefits of such information bear no reasonable relation to the associated invasion into their privacy.

The total remuneration of executive and supervisory board members is presented under item 23 "Total compensation of the executive board and supervisory board and former executive board and supervisory board members" of the notes to the annual report.

## ASSET LOSS LIABILITY INSURANCE

The company has taken out asset loss liability insurance with a deductible, which covers the activities of members of the executive and supervisory boards (D&O insurance). Article 93, paragraph 2 of the German Stock Corporation Act (AktG) states the deductible for supervisory board members shall be at least 10 % of the damage up to at least 1.5 times their fixed annual remuneration. The German Corporate Governance Code 2010 endorses this recommendation with respect to supervisory board members. The D&O insurance deductibles for the executive and supervisory board members have been adjusted accordingly.

## SHARES HELD BY MEMBERS OF THE EXECUTIVE AND SUPERVISORY BOARDS; SECURITY TRANSACTIONS ACCORDING TO ARTICLE 1 5A OF THE SECURITIES TRADING ACT (WPHG)

No member of the executive or supervisory board owns shares representing more than 1 % of Südzucker AG's total share capital. Furthermore, the total shareholdings of all executive and supervisory board members are less than 1 % of the total shares issued by the company.

In fiscal 2015/16, the members of the executive and supervisory boards have not informed Südzucker AG about any notifiable dealings in securities.

## Compliance

The following summary relates to disclosures about corporate policy regarding compliance in accordance with article 289a, paragraph 2, clause 2 of the German Commercial Code (HGB).

## COMPLIANCE MANAGEMENT SYSTEM

For Südzucker, compliance; that is, operation in accordance with laws and company policies, is a standard part of good corporate management. At Südzucker, practicing compliance is not merely the responsibility of the executive board, but also the managers of all of the group departments, divisions and subsidiaries or companies in which Südzucker Group holds an interest. The purpose of the compliance management program is to ensure that the company, its management bodies and employees conduct themselves in accordance with applicable laws. The goal is to prevent employees from breaking any laws and to help them apply laws and corporate guidelines properly and professionally. Accordingly, the program is continuously enhanced and regularly checked against current requirements.

Existing Südzucker Group corporate rules were incorporated into the compliance management system policies and various compliance-critical company departments and activities were integrated into the program. The compliance management system is based on the principles of "knowledge" (informing and training), "compliance" (verifying and documenting) and "improvement" (reporting and acting). Violations of external and internal rules are not tolerated. Any indication of wrongdoing is investigated.

Compliance activities and the compliance organization were again enhanced last fiscal year. The management culture focus on transparency and corporate principles was continuously enhanced in fiscal 2015/16 to further strengthen the compliance culture.

Südzucker's group-wide compliance principles as outlined below are adapted as required to various national and company-specific peculiarities and focus on compliance with antitrust laws and prevention of corruption. Moreover, these principles are reinforced by guidelines. Examples include the guideline on compliance with antitrust laws at Südzucker Group and the guideline for handling gifts and invitations as it applies to Südzucker Group business partners. The objective of these guidelines is to prevent employees from violating antitrust laws and to provide practical support in the application of statutory regulations and relevant company rules. Recommended conduct illustrated with practical examples and training courses help ensure that employees understand the key issues.

Again in fiscal 2015/16, Südzucker continued to strengthen its compliance measures – among other things in consideration of the lessons learned from the antitrust proceedings. Employees of all major group companies who could potentially be involved in the key issues were further trained. The executive board stipulated that all contacts with competitors be approved in advance by the responsible supervisor and that such contact always be documented.

The executive board regularly reports to Südzucker AG's supervisory board and the supervisory board's audit committee regarding compliance issues.

## COMPLIANCE – CORPORATE PRINCIPLES

Südzucker aims to compete successfully through innovation, quality, reliability and fairness. This entails complying with internal rules, as well as statutory regulations. The corporate compliance principles serve as a guideline. They highlight key issues that are very important in day-to-day practice. The corporate compliance principles are published at Südzucker's website at

[www.suedzucker.de/en/Investor-Relations/Corporate-Governance/](http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/).

Südzucker applies the laws currently in force and expects no less from its employees and business partners.

Südzucker provides its employees with the necessary information sources and advice to enable them to avoid contravening any rules or laws. All supervisors must organize their area of responsibility to ensure that the corporate compliance principles, the company's internal rules and statutory requirements are adhered to. After all, only risk-aware employees can recognize risks and successfully avoid or at least mitigate them.

The compliance officer and compliance representatives ensure that information flow is timely. They are charged with tasks such as training and investigating alleged compliance issues. All employees are obliged to report any violation of corporate compliance principles to the compliance officer, the compliance representatives or the executive board immediately.

### DISCLOSURES ON TAKEOVERS

The following disclosures provide further details in accordance with articles 289, paragraph 4, 315, paragraph 4 of the German Commercial Code (HGB) and an explanatory report as per article 176, paragraph 1, clause 1 of the German Stock Corporation Act (AktG); they form part of the audited group management report.

**COMPOSITION OF SUBSCRIBED CAPITAL AND VOTING RIGHTS** As of 29 February 2016, Südzucker's subscribed capital amounts to € 204,183,292 million and consists of 204,183,292 ordinary bearer shares, each of which represents a notional holding of € 1 per share. The company held no treasury shares as of the balance sheet date.

**VOTING RIGHTS, SHARE TRANSFERS** All shares entitle holders to the same rights and each share is worth one vote at the annual general meeting. Voting rights for the shares may be restricted as per German Stock Corporation Act regulations. Under certain conditions, shareholders may not be entitled to vote (article 136 of the German Stock Corporation Act [AktG]).

A voting agreement exists between Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, and Zucker Invest GmbH (Zucker Invest), Vienna/Austria, one of the companies of the registered Raiffeisen Holding Niederösterreich-Wien cooperative with limited liability (Raiffeisen-Holding), Vienna/Austria. Additional voting agreements exist between companies of the Raiffeisen group. Furthermore, SZVG has an option to buy 18,797,796 of Zucker Invest's Südzucker shares and Zucker Invest has an option to buy 246,368 of the Südzucker shares held by SZVG.

**SÜDZUCKER AG SHAREHOLDINGS EXCEEDING 10 %** Südzucker AG knows of two direct equity investments in the company that exceed 10 %: SZVG owns about 56 % of total share capital and Zucker Invest about 10 %. Raiffeisen-Holding and its associated companies hold a direct interest via Zucker Invest. The shareholdings are reciprocally attributed to the companies, so that each holds a share of about 66 % of total share capital, according to the German Securities Trading Act.

**SHARES WITH SPECIAL RIGHTS, VOTING RIGHTS CONTROL FOR SHARES HELD BY EMPLOYEES** Shares with special rights that would impart controlling authority do not exist at Südzucker. No employees who hold shares of Südzucker AG are subject to voting rights control.

#### **APPOINTMENT AND DISMISSAL OF EXECUTIVE BOARD MEMBERS**

Executive board members are appointed and dismissed by the supervisory board in accordance with articles 84 and 85 of the German Stock Corporation Act (AktG) and article 31 of the German Codetermination Act (MitbestG). In accordance with article 5, item 2 of Südzucker AG's articles of incorporation in the current version dated 18 December 2015, the supervisory board determines the number of executive board members and the supervisory board has the authority to appoint deputy members.

#### **AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Amendments to the articles of association are governed by articles 179 and following of the German Stock Corporation Act (AktG). Article 22 of the articles of incorporation authorizes the supervisory board to make amendments to the company's articles of association that only affect the wording.

#### **AUTHORITY OF THE EXECUTIVE BOARD, ESPECIALLY AS RELATES TO ISSUING AND BUYING BACK SHARES**

Subject to approval by the supervisory board, the executive board is authorized to increase the company's share capital once or several times up until 15 July 2020 by up to € 20,000,000 by issuing new no-par value bearer shares in exchange for cash contributions and/or contributions in kind, for the entire amount or in tranches (Authorized Capital 2015). Subject to approval by the supervisory board and according to article 4, paragraph 4 of the articles of incorporation, the executive board may exclude subscription rights of shareholders in certain cases, provided the shares issued under exclusion of the subscription rights do not exceed 10 % of total share capital, neither at the time of the coming into force of this authorization, nor at the time of exercising same. Details are outlined in article 4, paragraph 4 of the articles of association. Authorized Capital 2015 has not been utilized to date.

Shareholders at the 16 July 2015 annual general meeting authorized the executive board to buy back up to 10 % of the company's total share capital existing at that time until 15 July 2020 in accordance with article 71, paragraph 1, item 8 of the German Stock Corporation Act (AktG). The shares may be acquired on the open stock market or via a public offer to purchase to all shareholders. The costs of buying back own shares may be charged against net retained earnings or other revenue reserves. The executive board was also authorized, subject to approval by the supervisory board, to sell the shares bought back to third parties and to exclude shareholder subscription rights in the case of corporate mergers or when purchasing companies or parts of companies or shares of companies. Details are provided in the authorization approved at the annual general meeting on 16 July 2015.

#### **CHANGE OF CONTROL AND COMPENSATION AGREEMENTS**

Südzucker AG has signed an agreement with a banking consortium providing access to a line of credit in the amount of € 600,000,000. In the event of a change of control, each member of the bank consortium would under certain conditions have the right to terminate the line of credit and its share of the outstanding loans, and demand immediate repayment of same, including interest. Other than that, there are no material agreements pursuant to article 315, paragraph 4, clause 1, item 8 of the German Commercial Code (HGB) that would be affected by a change of control resulting from a takeover offer. Compensation agreements with members of the executive board or in favor of employees that would come into effect in the event of a change of control do not exist either.

Details regarding the executive and supervisory boards' compensation are outlined in the section "compensation report" section of the corporate governance report.

## Business report

### General and industry-specific environments

**WORLD SUGAR MARKET** In its second estimate of the world sugar balance for the 2015/16 campaign year (1 October to 30 September) dated February 2016, German market analyst F. O. Licht expects a deficit for the first time in six years. While consumption will continue to expand, to 181.7 (178.9) million tonnes in 2015/16, sugar production will drop to 176.9 (181.7) million tonnes. This will be the first time since 2012/13 it will be less than 180 million

tonnes. In spite of the expected increase in Brazilian sugar production because of the attractive world market price expressed in the country's local currency, world sugar production will fall, especially because of smaller harvests in the EU, as well as in India and Thailand. Taking into consideration other volume changes, inventories will decline for the first time in six years, to 72.0 (78.4) million tonnes of sugar, which is equivalent to 39.6 (43.9) % of one year's consumption.

Global sugar balance

Million of tonnes	2015/16	2014/15	2013/14	2012/13	2011/12
<b>Opening balance</b>	<b>78.4</b>	<b>77.5</b>	<b>72.8</b>	<b>63.7</b>	<b>57.1</b>
Production	176.9	181.7	181.3	184.1	174.6
Consumption	-181.7	-178.9	-176.0	-172.5	-168.4
Volume adjustments	-1.6	-1.9	-0.6	-2.5	0.4
<b>Closing Balance</b>	<b>72.0</b>	<b>78.4</b>	<b>77.5</b>	<b>72.8</b>	<b>63.7</b>
In % of consumption	39.6	43.8	44.0	42.2	37.8

Source: F.O. Licht, 2nd world sugar balance estimate 2015/16 as of 25 Februar 2016.

Again in fiscal 2015/16, world market prices fluctuated significantly. At the beginning of the fiscal year, the world market price for white sugar initially rose briefly to about 350 €/t from 331 €/t, but then fell back to less than 300 €/t at times because of the sharp devaluation of the Brazilian real – the currency of the world's largest sugar producer and world's largest sugar exporter – versus the US dollar. As the year progressed, expectations of a world market deficit in 2015/16 moved to the forefront, which caused the price of sugar to recover substantially from September 2015 onward and drove it to almost 400 €/t. Amid strong volatility, the world market price for white sugar at the end of the reporting period was 374 €/t.

**EU sugar market** Following previous year's record harvest, Südzucker substantially cut back the cultivation area throughout the EU for the current 2015/16 sugar marketing year (1 October – 30 September) on account of the restrictions on selling non-quota sugar. At the same time, yields from the 2015 campaign are below last year's record level, and in many parts of Europe even less than the perennial average. As a result, sugar production in the EU (including isoglucose) is expected to shrink considerably to 15.6 (20.3) million tonnes. This will cause non-quota sugar stocks to contract. The EU is a net importer of quota sugar. For preferential imports to rise, the EU price level would have to be at least high enough to cover the costs of the imported sugar. For processed products such as

chocolate and confectionary items, for which sugar is a major ingredient, the export volume is expected to reach the same 0.8 million tonnes of sugar as last year, when it increased year over year. Quota sugar inventories are expected to be down further at the end of the 2015/16 sugar marketing year.

During the last 2014/15 sugar marketing year EU sugar quotas were fulfilled amid record yields, which resulted in a very high volume of non-quota sugar. Due to the limited options for selling non-quota sugar, the excess volume was partially carried over to the 2015/16 sugar marketing year. Preferential imports during the last sugar marketing year were less the year prior because of sharply lower EU sugar prices. This led to a significant decline in quota sugar inventories by the end of the 2014/15 sugar marketing year.

Export licenses for 1.35 million tonnes of non-quota sugar were granted for the 2015/16 sugar marketing year, the same as last year.

According to EU price reporting, average prices stabilized after declining significantly last year. Prices for bulk sugar (ex factory) ranged between 414 and 419 €/t between March and September 2015, and since then have risen moderately, closing at 429 €/t in January 2016.

## Legal and political environment

**WTO-II negotiations** WTO-II negotiations during the Doha round, aiming to improve the trade perspective of developing countries, have been ongoing since 2001 and to date have not been concluded.

On 19 December 2015, the WTO ministers' conference adopted a resolution to eliminate export subsidies for agricultural goods earlier than originally planned. The decision will have no direct negative impact on EU sugar exports due to the expiry of the quota and minimum price regulations in October 2017. After October 2017, EU sugar producers will be permitted to export beet sugar to the world market without volume restrictions.

**Free trade agreements** In parallel with the ongoing WTO discussions, negotiations regarding potential free trade agreements are underway with various nations and communities, such as MERCOSUR and Australia. In the event sugar and sugary products are not defined as sensitive products – contrary to current trade practice – substantial additional sugar volumes could in future be imported into the European Union at preferential tariff rates. During the previous 2014/15 sugar marketing year, a free trade agreement was signed that would permit 20,000 tonnes of duty-free sugar to be traded between the EU and Vietnam.

**EU initiative to reduce sugar in food** Spurred by recommendations from the World Health Organization (WHO) concerning the amount of sugar in people's daily diet, the pressure on the EU commission and EU member states to take action on legislating changes to product recipes is steadily rising. The EU member states have agreed that by 2020, the volume of so-called added sugar in the overall food market volume of food be 10 % less than in 2015. This includes all types of sugar, not only the household variety, as well as fruit preparations added to food for the purpose of sweetening.

## Beet harvest and campaign chronology

Beet planting in 2015 began as early as in previous years under average to good conditions. However, the period was significantly longer than in previous years. The dry spell that had already begun in the spring continued into the summer. Temperatures of up to 40 °C were not uncommon. This was compounded by below-average rainfall, so that the sugar beets in all Südzucker Group areas suffered drought stress. Nevertheless, the beets grew very differently depending on the soil quality and whether thundershowers brought rain to the respective region. Due to an extremely dry summer, infestation rates with leaf diseases were quite low.

The harvest conditions were somewhat difficult at the beginning of October due to the generally dry soil; conditions improved in mid to late October as rainfall increased. Harvesting was completed by mid-November in most regions.

The dry summer and heat were apparent in the below-average yield of 68.2 t/ha. In Offstein and Ochsenfurt yields fell well below the 5-year average with 65 and 56t/ha respectively. Conversely, Warburg saw higher yields that corresponded to the 5-year average due to increased rainfall. Weather had a positive effect on the sugar content. At 18.7% sugar content this year was well above the perennial average, particularly in the regions that were strongly impacted by dry weather.

The campaign started in all Südzucker AG factories on October 5th. The Plattling factory ran longest (until the end of December). The remaining factories ended their campaigns in mid to late December. The average campaign duration in Südzucker AG lasted 75 days.



## Business performance

Operations in the 2015/16 financial year were furthermore marked by falling sugar prices. The result obtained is therefore not satisfactory.

### REVENUE AND OPERATING PROFIT

(in € millions)	2015/16	2014/15
Revenues	1,170.8	1,349.8
Change in work in progress and finished goods and internal costs capitalized	-100.1	-42.6
Other operating income	87.3	109.2
Cost of materials	-804.3	-990.2
Personnel expenses	-196.1	-179.3
Depreciation of intangible assets and fixed assets	-51.5	-48.6
Other operating expenses	-215.2	-220.1
<b>Operating profit (HGB)</b>	<b>-109.1</b>	<b>-21.8</b>
Investment income/expense	214.7	160.3
Depreciation of financial assets	0.0	0.0
Interest income/expense	-36.0	-39.6
<b>Income from ordinary activities</b>	<b>69.6</b>	<b>98.9</b>

**Sales revenues** fell in fiscal 2015/16 by € 179.0 million or 13.3% from € 1,349.8 million to € 1,170.8 million. The main reason for this was the decline in quota sugar revenues.

**Other operating result** in the amount of € 87.3 (109.2) million includes € 20.1 (31.4) million in income from prior periods. These result mainly from the income generated from the reimbursement of production levies from previous years and from accounting profits and the reversal of provisions.

Also included are income from the reversal of special items with an equity portion of € 1.4 (1.4) million and reversal of deferred items from the EU restructuring assistance in the amount € 11.9 (20.4) million deferred until 2015/16.

The decrease in **material expenditures** by € 185.9 million to € 804.3 (990.2) million resulted from the lower beet costs, caused by the lower beet quantities of the 2015/16 campaign.

**Personnel expenses** increased by € 16.8 million to € 196.1 (179.3) million. Alongside the rise in the average number of employees by 34 to a total of 2,446 (2,412), this was also due to a higher allocation to pension provisions.

**Depreciation** was higher than last year, posting at € 51.5 (48.6) million.

**Other operating expenses** excluding special items decreased by € 4.9 million to € 215.2 (220.1) million.

**Operating result (HGB)** fell year-on-year by € 87.3 million to € -109.1 (-21.8) million.

**Income from investments** posted at € 214.7 (160.3) million, which was well above the previous year.

The **net interest result** improved by € 3.6 million to € -36.0 (-39.6) million. In the financial year just ended the low short-term interest rate was utilized for short-term working capital financing through emissions of commercial paper. Included in the net interest result are expenses from the unwinding of the discount for pensions and long-term liabilities totaling € 21.1 (22.8) million.

The **income from ordinary activities** decreased by € 29.3 million to € 69.6 (98.9) million.

(in € millions)	2015/16	2014/15
<b>Income from ordinary activities</b>	<b>69.6</b>	<b>98.9</b>
Taxes on income	-1.3	-13.7
Other taxes	-0.8	-0.7
<b>Net earnings for the year</b>	<b>67.5</b>	<b>84.5</b>
Profit brought forward from the previous year	0.1	0.4
Allocations to revenue reserves	-6.3	-33.8
<b>Net earnings available for distribution</b>	<b>61.3</b>	<b>51.1</b>

**Tax expense** in the year under review was € 1.3 (13.7) million.

**Other taxes** were nearly unchanged at € 0.8 (0.7) million.

**Net earnings** were thus € 67.5 (84.5) million.

The **allocation to revenue reserves** in the fiscal year was 6.3 (€33.8 million last year). With the profit carried forward last year of € 0.1 (0.4) million, the **net earnings available for distribution** € 61.3 (51.1) million.

## INVESTMENTS AND FINANCING

**Investments in property, plant and equipment and intangible assets** totalled € 129.5 (134.7) million in the financial year. The investment focus was on environmental, replacement and optimization measures in the sugar factories as well as on the new construction of the starch factory in Zeitz.

### Net financial debt

(in € millions)	29 Feb. 16	28 Feb. 15
Securities	-209.2	-97.6
Cash and cash equivalents	-2.5	-1.7
Receivables as part of group financing	-496.6	-606.7
Bonds	125.0	200.0
Financial liabilities to banks	188.8	205.7
Liabilities as part of group financing	953.9	953.1
<b>Net financial debt</b>	<b>559.4</b>	<b>652.8</b>

Die **Nettofinanzschulden** reduzierten sich von 652.8 Mio. € im Vorjahr auf 559.4 Mio. € am 29 February 2016. Der operative Cashflow beträgt

273.9 (im Vorjahr 152.1). Mio. €. Investitionen in Finanzanlagevermögen fanden im Geschäftsjahr nicht statt. Die Dividendenausschüttung für das Geschäftsjahr 2014/15 betrug 51.0 Mio. €.

**Net financial debt** decreased from € 652.8 million in the prior year to € 559.4 million as at 29 February 2016. Operating cash flow amounts to € 273.9 (152.1) million. There were no capital expenditures on financial assets during the financial year. Distributions for the previous year amounted to € 51.0 million.

Südzucker has the following outstanding bonds as at 29 February 2016:

	Coupon	Volume (€)	ISIN	Stock exchange listing
Hybrid bond 2015 Perceptual NC 10	3-Month-EURIBOR +310 BP = 2,968 %	700 million	XS0222524372	Luxemburg (official Market)
Bond 2011/2018	4,125 %	400 million	XS0606202454	Luxemburg (official Market)

The financial instruments are generally issued via the group financing company Südzucker International Finance B.V., Oud-Beijerland, Netherlands, and used throughout the group.

A commercial paper (CP) program with a volume of € 600 million is also available for seasonal campaign financing. This program was utilized in the amount of € 125 (200) million as at 29 February 2016.

The seasonal liquidity requirements are also secured by the € 600 million syndicated credit line concluded through 2020.

See the section on "Corporate management" in the group management report for fiscal year

2015/16 for information on corporate management at Südzucker AG.

## BALANCE-SHEET

ASSETS		
(in € millions)	29 Feb. 16	28 Feb. 15
Intangible assets	7.7	13.7
Property, plant and equipment	478.8	396.3
Financial assets	2,782.0	2,782.3
<b>Fixed assets</b>	<b>3,268.5</b>	<b>3,192.3</b>
Inventories	389.1	522.5
Receivables and other assets	694.5	852.2
Securities	209.2	97.6
Cash and cash equivalents	2.5	1.7
<b>Current assets</b>	<b>1,295.3</b>	<b>1,474.0</b>
<b>Accrued and deferred items</b>	<b>1.3</b>	<b>1.8</b>
	<b>4,565.1</b>	<b>4,668.1</b>

Südzucker AG's **total assets** reduced as at 29 February 2016 to € 4,565.1 (4,668.1) million.

**Fixed assets** totalled € 3,268.5 (3,192.3) million, € 76.2 million higher than last year.

The reduction of **inventories** to € 389.1 (522.5) million resulted from the lower sugar production volume of the 2015/16 campaign.

**Receivables and other assets** remained € 157.7 million lower than last year at € 694.5 (852.2) million. This results from lower allocations of intragroup loans to affiliated companies.

**Securities** of € 209.2 (97.6) million include such items as the shares of AGRANA Beteiligungs AG, which should be returned to free float. A bond in the amount of € 125.0 million was acquired in the 2015/16 financial year.

## LIABILITIES AND SHAREHOLDERS' EQUITY

(in € millions)	29 Feb. 16	28 Feb. 15
Shareholders' equity	2,145.4	2,128.9
Special items with an equity portion	34.0	35.4
Provisions for pensions and similar obligations	478.1	461.2
Other provisions	323.3	311.8
Liabilities	1,584.3	1,718.9
Accrued and deferred items	0.0	11.9
	<b>4,565.1</b>	<b>4,668.1</b>

Equity increased to € 2,145.4 (2,128.9) million due to the higher dividend from net earnings compared to last year. The equity ratio improved to 47.0 % (45.6 %) as a result of lower total assets. As in the prior year, Südzucker AG's fixed assets at the balance sheet date were financed entirely through medium and long-term capital; the equity to fixed assets ratio was 111.1 % (112.1 %).

**Pension provisions** rose by € 16.9 million to € 478.1 (461.2) million, largely due to the adjustment of the discount rate to 4.27 (4.48) % and the consideration of salary and pension adjustments.

**Other provisions** involve taxes, personnel expenses, litigation risks and recultivation obligations.

**Financial liabilities** decreased by € 134.6 million from € 1,718.9 million to € 1,584.3 million. This corresponds with lower allocations of intragroup loans to affiliated companies on the one hand and lower payables from deliveries during the 2015 campaign.

**Deferred income** comprised deferred income from EU restructuring assistance and was completely reversed in 2015/16.

## CURRENT AND PROJECTED BUSINESS

### PERFORMANCE

There was a significant drop in revenues as forecast in the annual financial statements for the previous year due to price trends in quota sugar.

As anticipated, the operating result (HGB) was considerably lower due to the drop in revenues. Because of legislative changes to section 253 (2) (1) HGB, there was no burden resulting from the reduction of the discount rate for pension provisions.

Expectations were confirmed with respect to higher investment income and higher net interest income as a result of the decline in interest rates during the course of the year.

The company was unable to achieve the net earnings forecast for the 2015/16 financial of at least that of the previous year.

### Events after the balance sheet

There were no material changes to business conditions or our industry sectors after the close of the fiscal year. Neither do we expect any other events of material significance that have to be reported by Südzucker AG.

## Risks and opportunities report

### Risk management system

Südzucker Group's business policies aim to safeguard the company's continued life, always earn reasonable returns and systematically and steadily improve shareholder value. Risk management systems are installed throughout the group to detect and actively manage risks.

**RISKS AND OPPORTUNITIES POLICY** Südzucker believes a responsible attitude toward business risks and opportunities is an important element of a sustainable, value-oriented management system. Südzucker views risks and opportunities as future developments and events that can negatively and/or positively influence implementation of operational plans and strategic goals. Südzucker uses an integrated system for the early identification and monitoring of group-specific risks. The guiding principle for successfully managing risk is to balance opportunities and risks. The company's risk culture is characterized by risk-aware conduct, clear responsibilities, independent risk controlling and internal audits. Insofar as it is possible and economically practical, insurable risks are covered by a group-wide insurance policy.

**RISK MANAGEMENT** The risk management system is embedded in Südzucker Group's value-oriented management and planning system. The purpose of the risk management system is to detect existing risks early and systematically, to evaluate them and to provide the relevant decision makers with properly organized risk information. This is accompanied by improving the internal transparency of all processes that have an element of risk and creating a culture of risk awareness among all employees. One of the key

risk management tasks is to limit strategic, operative, legal and financial risks.

Südzucker Group's risk management system includes a monitoring system that ensures compliance with all actionable items.

**RISK MANAGEMENT SYSTEM** The executive board is responsible for the group-wide risk management system, as well as for the early detection and mitigation of existential and strategic risks. The risk management committee supports the board in this task. It regularly evaluates the suitability of the installed risk management rules and improves them if necessary. In addition, it continuously monitors material risks, including cross-business risks, and alerts those responsible if action is necessary. The auditor assesses the reliability and performance capability of the risk early warning system.

The risk management system of the business segments, divisions and the corporate departments is the responsibility of their respective managers, who take steps to reduce and defuse operational risks, as well as financial and legal risks. Changes in market prices can exert considerable positive or negative pressure on the operating result. The company has therefore installed risk committees that evaluate how to handle such risks in those divisions and business units in which operating results are materially affected by market price volatility. Market price risks resulting from commodity and selling prices, as well as currency exchange and interest-rate risks are also countered by selectively using derivatives. The executive board has defined the acceptable instruments in a risk management directive, which also governs hedging strategies, responsibilities, processes and control mechanisms. The hedging instruments are exclusively used to protect the underlying trans-

actions; never for trading or speculation purposes. Financial derivative instruments are only entered into with banks that have a high credit rating or on futures exchanges.

Operative, financial and strategic risks are reported and documented regularly as part of the overall planning, management and reporting process. The executive board and the business units and/or divisions responsible also receive monthly risk reports that outline risks and sensitive issues at both the divisional, business unit and group level and that focus on the current and subsequent fiscal year. The development of the risk parameters, in line with the current market situation and business performance, is compared with the budget and/or the current forecast, while the risk score is determined by evaluating its impact on operating result.

**RISK COMMUNICATION** Openly communicating with the employees within the company who are responsible for the businesses and processes is essential to a properly functioning risk management system. As such, the executive board, division and business managers as well as group executives communicate risks quickly and transparently. Employees are required to be aware of and deal with risks proactively. Regular meetings between the executive board and division and business units heads to discuss earnings developments and budgets is one tool Südzucker uses to ensure that information flows directly between the parties. Mitigating measures are defined and initiated for any strategic or operational risks identified during the sessions. Not only heads of divisions and business areas, but also group departments regularly report to their respective department heads concerning current developments in their areas of responsibility.

**INTERNAL AUDIT** The group's internal audit department monitors both the parent company and group companies. The department, which reports directly to the chairman of the executive board, systematically and rigorously assesses the effectiveness of the risk management system, the controls, management and monitoring processes on the basis of independent, objective auditing and advisory methods. In doing so, it focuses on improving them and the underlying business processes.

## Risks

### SUMMARY OF CORPORATE RISK EXPOSURE

Südzucker's exposure to material risks is outlined in the following section and classified according to the parameters "probability of occurrence" and "financial impact" based on the medium-term profit forecast. The effect of already implemented countervailing measures is included.

The relative and absolute values "low", "medium" and "high" used for the corresponding categories are shown in the following table. The significance of the identified risks is determined by the combined probability of occurrence and potential financial impact.

Occurance probability		Financial impact
low	< 10 %	< € 5 Million
medium	10–50 %	€ 5–50 Million
high	> 50 %	€ >50 Million

The price volatility of raw materials, risks associated with fluctuating product prices and changes to the legal and political framework are currently the most significant risks. The potential financial impact of the other risks outlined in this report is comparably minor.

Overview of corporate risks	Occurance probability	Financial Impact
<b>Regulatory risks</b>		
Risks of changes in legal and political environment	medium	high
Macroeconomic risks	medium	medium
Risks of structural changes of product markets	medium	high
<b>Operational Risks</b>		
Risks of availability of raw materials	low	high
Risks of price volatility of raw materials	high	high
Risks of price volatility of products	high	high
Exchange rate fluctuation risks	high	medium
Product quality risks	low	medium
IT risks	low	medium
Personnel risks	low	medium
Creditworthiness and default risks	low	low
Other operating risks	low	low
<b>Compliance risks</b>		
Legal risks	medium	medium
Antitrust risks	medium	high
Corruption risks	low	medium
<b>Financial risks</b>		
Interest rate fluctuation risks	medium	medium
Exchange rate fluctuation risks	high	medium
Liquidity risks	low	high
Creditworthiness and default risks	low	high
Risk of rating downgrade	medium	medium

## STRATEGIC RISKS

As outlined in the respective sections of the segments' management reports, Südzucker's business is subject to a variety of legal and po-

litical stipulations, both at the national and European level. Expiry of the regulations on minimum beet prices and quotas effective 30 September 2017 will further change the European sugar market. Sugar beet and isoglucose production in the European Union is expected to rise after the elimination of the quota regulations, thereby increasing competition in the markets. Beet prices will decisively influence the availability of sugar beets as raw material in the future. At the same time, the competitive situation will be distorted by the fact that several EU member states pay incentives tied to beet cultivation.

Additional risks could also arise if additional duty-free import quotas for sugar are granted under the terms of new bilateral free trade agreements or if the level of EU tariff protection is lowered. This is also true for bioethanol. For example, raising or lowering national mandatory blendings beyond 2020, restricting or promoting the usability of various raw materials, as well as regulating the use of cultivation areas can lead to new opportunities or risks. Changes to external trade relations with non-EU countries, legislative compensation policies for generating renewable energies as they exist in some EU countries as well as tariff rates can also lead to new opportunities or risks. Any potential changes to international and national trade agreements or agricultural market regulations are proactively analyzed without delay and evaluated within the risk management framework regarding their potential impact on Südzucker Group's earnings, financial and asset situation.

Südzucker Group's products are also subject to the risk of demand fluctuations due to overall economic developments or changes in consumer behavior.

## OPERATIONAL RISKS

**RISKS ARISING FROM THE AVAILABILITY OF RAW MATERIALS** Every year, Südzucker Group processes around 30 to 35 million tonnes of agricultural raw materials grown on about 800,000 hectares of land. In addition to sugar beets, the crops comprise corn, wheat, barley, rice, triticale, chicory and potatoes, as well as the raw materials processed in the fruit segment.

As a processor of these raw materials, Südzucker is exposed – in spite of regional diversification – to procurement risks. These relate mainly to above-normal fluctuation of harvest yields, due primarily to extreme weather conditions (climate change), as well as pests and diseases that attack the company's crops. The associated risks result from greater evaporation and even more frequent and intense extreme weather events, such as sustained drought, flooding, storms and hail.

In addition, geographically shifting climatic zones or rainfall can negatively impact regional production of agricultural raw materials. This risk is addressed to the greatest extent possible by appropriate cultivation planning and targeted cultivation consultation and research.

However, in Europe climate change is also linked to opportunities when it comes to beet cultivation. An extended growing period that starts earlier, fewer frost days and faster heating of the soil hold the promise of rising yields.

Beets compete with other crops when farmers decide what to plant, which represents a procurement risk in the sugar segment. Our beet growers' plans are based on completely fulfilling the quota beet and ethanol beet delivery rights they were issued.

## RISKS ARISING FROM PRICE VOLATILITY OF RAW MATERIALS

In addition to the procurement risks related to availability, agricultural raw materials are subject to price fluctuations that cannot always be directly passed on to the market. Grain and oilseed market price fluctuations are driven primarily by fundamental global and regional market data such as availability, demand and inventories. Markets are very sensitive to critical thresholds related to the ratio of annual consumption to inventories, as well as uncertainty about supply and demand factors, and prices fluctuate accordingly. Over the last few years, this has been repeatedly observed for certain products and is in principle again possible in the future. The price volatility of global markets is increasingly mirrored in the European and domestic markets due to expanding global raw material trading.

Political measures such as export bans instituted by key exporting countries can also cause increased short-term price volatility.

For sugar beets, the company signs annual beet delivery contracts each season in the various cultivation areas. For the 2015/16 and 2016/17 sugar marketing years, these contracts for quota beets reflect market regulation requirements regarding minimum prices and participation of farmers in higher sales revenues. The prices for non-quota beets are in part derived from sugar sales revenues. Südzucker is currently discussing 2017/18 beet prices with farmers. The aim is to derive beet prices from sugar sales revenues.

The refineries in Brčko/Bosnia and Buzău/Romania convert raw sugar delivered from third parties into white sugar. The risk of a fluctuating purchase price for raw sugar is hedged by means of commodity futures contracts.

CropEnergies needs agricultural products containing carbohydrates, such as grain and sugar syrup, to produce bioethanol. Price fluctuations on global agricultural markets directly impact raw material costs. To assess the risk of producing bioethanol, we calculate raw material costs minus sales revenues from food and animal feed (according to net raw material costs). Because grain price fluctuations mainly go hand-in-hand with an equivalent price change for food and animal feed containing protein, we are able to partly offset higher raw material costs with increased sales revenues from these products.

CropEnergies' business policy will continue to mitigate residual risks of raw material price increases by entering into long-term supply agreements and utilizing commodity futures contracts as a hedge, as well as using alternative raw materials. Also, the company regularly balances forward contracts for purchased raw materials and sales of food, animal feed and ethanol. The degree of hedging is determined by the market situation, whereby the basic principle applied is that forward contracts for ethanol not exceed forward contracts for input raw materials. However, depending on the market price situation, the risk that it will not be possible to secure cost covering hedging transactions or to pass price increases of raw materials on to bioethanol purchasers remains.

The EU ties the promotion of fuels from biomass to compliance with certain sustainability criteria. Bioethanol produced at all of our plants meet these requirements provided sustainably produced raw materials are available.

Raw material costs are also of key importance to starch production. Here too, the strategy is to use physical supply contracts to cover the planned requirements as well as possible. Hedging transactions are also used to a limited extent. There is a risk that higher raw material costs can be only partially passed on to customers in the short term.

Procurement risk in the fruit segment is affected by poor weather and any plant diseases that may arise. Poor harvests resulting from these factors can have a negative impact on both the availability and cost of raw materials. Through its worldwide presence and knowledge of local markets, AGRANA's fruit preparation division is able to detect regional supply bottlenecks and/or price volatility early and take steps to mitigate such situations. In addition, the division strives to enter into annual contracts where possible, both on the sales and procurement side. Fruit juice concentrates, raw material, production and distribution risks in the divisions are managed transregionally.

Südzucker Group counters energy price risks by designing its production plants to be capable of utilizing diverse energy sources in line with the particular circumstances, with the ultimate goal of minimizing costs. In addition, investments to improve the energy efficiency of the production plants throughout the group are an ongoing priority. The company utilizes long-term supply contracts or derivatives to hedge some of the fuels used during the campaign.

The free-of-charge CO<sub>2</sub> certificates allocated in conjunction with the third trading period in the EU from 2013 to 2020 will not cover Südzucker Group's expected consumption. Südzucker's sugar, starch, inulin and bioethanol production processes for the period from 2013 to 2019 meet current EU directives for carbon leakage, and accordingly, a limited number of CO<sub>2</sub> certificates will be allocated free of charge. Compliance with carbon leakage criteria will in future be audited every five years; the next audit will be

conducted for the allocation years 2020 to 2024. Elimination of carbon leakage status as of 2020 for the various industrial sectors in which Südzucker operates would significantly curtail the annual allocation of free-of-charge CO<sub>2</sub> certificates the company presently has. We are currently not expecting our carbon leakage status to be canceled. For the coming four trading periods from 2021 to 2030, we expect a significant reduction in the allocation of free-of-charge certificates, even if our carbon leakage status is retained.

#### **RISKS ARISING FROM THE PRICE VOLATILITY OF PRODUCTS**

The most important markets for sugar, functional ingredients for food and animal feed, frozen products, starch, bioethanol and fruit are distinguished by their comparably stable and/or rising demand. Signs of possible changes in consumer behavior are detected early. Any impact on Südzucker's market position is evaluated and may lead to a revised corporate strategy, such as restructuring or cost and capacity adjustments. Südzucker strives to reduce its dependency on the price of goods sold. Here optimizing cost structures to achieve cost leadership contributes toward stabilizing earnings margins. Still, all segments are exposed to market and product price risks.

The sugar segment is exposed to selling price risks resulting from price fluctuations in the world sugar market, the EU common market and animal feed markets. The EU granted a limited number of export licenses during the 2015/16 sugar marketing year. Starting in 2017, exports are expected to increase as production volumes rise when the quota regulations expire and export restrictions are lifted. This will increase the risk related to world market price fluctuations. There is evidence that the EU domestic market will also be increasingly directly tied to world market prices. For the volumes tied directly to global market prices, we enter into sugar futures contracts on the exchanges in London and New York as dictated by market conditions. The

company thus pays particular attention to consistency in its sales strategy and long-term planned customer loyalty to mitigate the volume and price risk for animal feed.

Another example of price risk is bioethanol prices in Europe, which are affected by various factors such as supply and demand at the local level, the price level and availability in the United States, Brazil and other exporting countries, as well as general political conditions, and may thus fluctuate significantly. CropEnergies manages these risks by adjusting the wording and expiry date of its sales contracts and to the extent possible, using derivative instruments.

European bioethanol prices are currently determined by price reporting agencies based on very low volumes, resulting in high price volatility. In December 2015, European Union trilateral negotiators reached agreement on implementing a benchmark directive. It prescribes a transparent pricing mechanism for determining reference prices in unregulated markets. EU member states have been given two years to implement the directive. It is expected that implementing the directive will lead to greater transparency when setting the price of bioethanol and thereby to less volatility and greater liquidity for market prices.

**CURRENCY EXCHANGE RISKS** Currency exchange risks arise at Südzucker's operations when sales revenues or the cost of materials and/or merchandise are denominated in a currency other than the local currency.

In the sugar segment, sugar exports to the world market are subject to US dollar exchange rate risks, and are always hedged from the date of entering the sugar futures contract to the date of payment receipt. Raw sugar refining is exposed to currency risks from any raw sugar purchases denominated in US dollars.

In the special products segment, foreign exchange risks arise in the BENEOL division from US dollar sales revenues for which the underlying production costs are mostly incurred in euros and Chilean pesos. Sales revenues of the Freiburger Group in Great Britain are subject to currency risk related to the British pound sterling.

The CropEnergies segment's raw material purchases and product sales are mainly denominated in euro. The company is only exposed to currency risks when purchasing raw alcohol in US dollars and selling industrial alcohol in euro. These transactions are hedged using forward exchange contracts immediately after purchasing the raw alcohol.

The fruit segment's currency risks relate primarily to volumes sold in euro or US dollars, whereas raw material and operating expenses are denominated in the respective local currency. When raw materials and/or sales are denominated in foreign currencies, the currency risk is partly hedged using forward exchange contracts.

**PRODUCT QUALITY RISKS** Serious safety standards violation incidents for food and other products could damage Südzucker's reputation and reduce the volumes of our products. Furthermore, one of our stated objectives is to supply customers with safe, high quality products at all times. In order to guarantee this, the company has a quality management system that documents responsibilities, activities and processes. The quality management system covers all processes; from the procurement of raw materials,

through the production process itself, to delivery to customers.

Adherence to all internal and external specifications is regularly checked within the framework of the quality management system. The company takes any necessary steps to further optimize its products and processes, which contributes to further risk minimization.

**IT RISKS** The management of our group is largely dependent on sophisticated information technology. As a result, risks associated with the security, quality or failure of IT systems are especially significant. We employ qualified internal and external experts and take appropriate technical steps to ensure that the IT systems are properly maintained and optimized. To facilitate these efforts, Südzucker has widely standardized the information systems and processes used by Südzucker Group.

**PERSONNEL RISKS** Südzucker Group competes intensely with other companies for trained personnel and is thus exposed to the risk of being unable to suitably fill vacancies. In order to protect Südzucker's position when competing for qualified employees, we emphasize the attractiveness of Südzucker Group as an employer through our human resources management policies, which aim to encourage specialists and managers to stay with the company for the long term. In addition to attractive social benefits and compensation policies, we offer a wide range of opportunities at Südzucker Group, such as advanced and continuing education courses, trainee programs and possibilities to work for various group companies.

### CREDITWORTHINESS AND DEFAULT RISKS

Südzucker could suffer significant losses if a large number of its customers were unable to meet their contractual payment obligations. Südzucker AG counters credit and default risks associated with outstanding receivables by constantly monitoring the creditworthiness and payment history of its debtors and setting appropriate credit limits. A group-wide credit management system continues to be strictly enforced. Furthermore, risks are capped using credit insurance and bank guarantees. Default risks associated with the financial instruments with which we have entered into hedging transactions also exist.

**OTHER OPERATING RISKS** Other operating risks that may arise in the production, logistics, research and development areas are not expected to have any material impact on the company's position. Südzucker also mitigates other operating risks by constantly monitoring them and continuously improving its business processes.

### COMPLIANCE RISKS

**GENERAL LEGAL RISKS** Various lawsuits are pending against Südzucker AG and the group's companies. Accruals are being formed to cover the legal costs for these proceedings. Accruals for the lawsuit risks are built when the likelihood that the company will be liable and the extent of the liability can be adequately determined. The final outcome of individual proceedings may affect earnings during a particular reporting period, but the potential associated liabilities would have no long-term impact on the group's assets and financial position.

Südzucker is exposed to potential changes in the legal environment, particularly as relates to food and environmental laws. Such risks are documented without delay, their impact on the group's business activities evaluated and appropriate action taken if necessary.

**RISKS ARISING FROM ANTITRUST LAW** There is a risk that antitrust authorities may interpret the conduct of company organs and employees as violating antitrust laws, and that they may initiate proceedings. Such proceedings always negatively impact the company's reputation and can result in high fines and potentially, unfounded claims for compensation from third parties.

Südzucker further strengthened its antitrust law compliance program again in fiscal 2015/16. Training courses to prevent antitrust law violations are conducted at regular intervals. The program will continue to be rigorously executed, also taking into account the lessons learned from the antitrust case concluded in 2014 involving several companies in the German sugar industry. A groupwide standard on compliance with antitrust laws at Südzucker Group (Competitive Guideline) has been in force since 1 December 2014. The objective of this guideline is to prevent employees from violating antitrust laws and to provide practical support in the application of relevant rules and regulations. This includes especially the obligation of all employees to comply with antitrust legislation.

As described in last year's annual report, the German Federal Antitrust Authority charged German sugar producers Südzucker AG, Nordzucker AG and Pfeifer & Langen GmbH & Co. KG with engaging in unlawful practice to restrict competition, including territorial, quota and price-fixing agreements. Südzucker accepted the penalty notice issued on 18 February 2014 as part of a settlement, and paid the fine in order to bring to a close the case and achieve legal and planning certainty going forward. The case was based on statements by a crown witness for the prosecution and had lasted almost five

years. After payment of the fine, the German antitrust case was closed.

Since closure of the German antitrust proceedings, customers are claiming damages as expected, due to alleged cartel-related markups. Südzucker and the two other fined German sugar producers are categorically disputing these claims, especially since various appraisers have stated that no customers were disadvantaged during the timeframe considered by the Antitrust Authority. Some customers have made claims for damages or information against the German sugar manufacturers – mostly jointly and severally. All of these cases remain at an early stage and no rulings have been made to date.

As outlined in last year's annual report, in September 2010, the Austrian Federal Competition Authority referred AGRANA Zucker GmbH and Südzucker AG to the Vienna cartel court, requesting a decision on an alleged violation of the Austrian Cartel Act. AGRANA and Südzucker are accused of anticompetitive agreements relating to Austria. The defendants continue to consider the accusations groundless and dispute the claims submitted in October 2011 by the antitrust authorities based on the evidence presented at the hearings that have been held to date, even after additional witnesses took the stand in September 2014. The Vienna cartel court has not yet issued a verdict.

**CORRUPTION RISKS** Risks due to corruption can arise if Südzucker Group organs or employees violate laws, internal rules or regulatory standards recognized by Südzucker and the respective Südzucker Group company subsequently suffers damage to its assets or image. The company follows up on all reports of malpractice. The compliance program and the compliance organization were further enhanced in fiscal 2015/16. The management culture focus on transparency and corporate principles was continuously enhanced to strengthen the compliance culture. Training was further intensified in

order to ensure that each and every employee behaves in a proper manner regarding legal conformity and social ethics. Specific recommendations on selected topics were further developed and made available to employees.

## FINANCIAL RISKS

Because it conducts business worldwide, Südzucker Group is exposed to a variety of financial risks. This includes risks associated with fluctuating currency exchange and interest rates, liquidity risks, as well as credit rating and default risks. We classify market price risks associated with sugar exports, bioethanol volumes, or energy and raw materials procurement as operative risks. These are described in the respective section of this risk management report.

**INTEREST RATE RISKS** Südzucker Group is exposed to a limited extent to unexpected changes in interest rates on variable-rate or short-term financial obligations and investments. Exposure to these loans and investments fluctuates significantly over the course of the year because of campaign-related financing requirements. Long-term interest rate changes are of minor importance because of the company's low indebtedness.

**CURRENCY EXCHANGE RISKS** Financing-related currency exchange risks are mainly due to intragroup financing of subsidiaries in currencies other than the local currency. In Eastern Europe, Südzucker Group finances its subsidiaries through intragroup loans denominated in euro. US dollar financing also occurs in Chile and Mexico. To a lesser extent, parent companies also provide financing to subsidiaries in their differing national currency in the eurozone.

**LIQUIDITY RISKS** Südzucker is exposed to liquidity risk in that it may not be able to raise the necessary funds to fulfill a payment obligation in time or at all. Südzucker Group's liquidity is thus monitored daily. To the extent that they make sense economically, the company uses cash pools, both in Germany and internationally. Excess cash is also utilized throughout the group. Südzucker ensures that it has a balanced debt repayment scheme and reduces its financing risks by issuing long-term bonds and using bank credit lines. Risks resulting from cash flow fluctuations are detected and controlled at an early stage as part of short, medium and long-term liquidity planning, which is an integral part of corporate planning. A commercial paper program and approved bank credit lines give Südzucker access to immediate and adequate liquidity to meet the seasonal financing requirements associated with sugar campaign production at any given time.

**CREDITWORTHINESS AND DEFAULT RISKS** There are also financial creditworthiness and default risks associated with financial institutions with which we have entered into hedging transactions, have deposited funds, have credit lines or that have provided guarantees on behalf of Südzucker. These risks increased due to the financial crisis and we limit them by conducting our financial business only with banks that have a high credit rating. Accordingly, we continuously monitor the creditworthiness of the financial institutions.

**RISK OF RATING DOWNGRADE** Moody's and Standard & Poor's rating agencies assess Südzucker's creditworthiness. Südzucker considers itself duty-bound to maintain a stable investment grade rating. A downgrade in the assigned rating could negatively impact the group's cost of capital for future financing needs.

## OVERALL RISK POSITION

Material risks that could impact the future growth of Südzucker Group are particularly those arising from fluctuations in product and raw material prices, together with the risks associated with a change in the legal and political framework under the terms of which the company operates. The pressure of the world market price on the price of sugar in the European Union has increased for the sugar segment. This pressure will become even greater in future; the risk associated with fluctuations in EU sugar prices will thus also increase. The CropEnergies segment's result is tied primarily to the price of raw materials – particularly wheat – and to bioethanol revenues. In phases of declining bioethanol prices with unchanged or increased grain prices, losses may be incurred when margins do not contribute enough to covering costs. When the variable costs are no longer covered, temporary production stoppage may become necessary. Because the markets for wheat and bioethanol are relatively independent of each other, forecasting result development is difficult. Nevertheless, it is not always practical or possible to hedge all price risks in advance, as this would reduce the future opportunities for positive price development. In addition, insufficient liquidity of price hedging instruments with longer terms limits their use.

The group's overall risk position remains unchanged compared to last year. Nevertheless, there are still no apparent risks that threaten the organization's continued existence.

## OPPORTUNITIES

Rigorously pursuing a corporate strategy aimed at long term value-based growth also creates many opportunities for Südzucker Group. This section outlines opportunities with regard to business activities in the individual segments and divisions.

Südzucker is Europe's leading sugar producer. The company's special products (functional ingredients for food and animal feed, frozen products, portion packs and starch), CropEnergies and fruit (fruit preparations, fruit concentrates) segments have captured significant market shares in their target sectors.

As a result, Südzucker Group will continue to operate in what will remain strongly growing international markets that will drive demand for agricultural commodities, food, animal feed and energy even higher. Südzucker's European locations have advantageous natural geography with excellent soils, high yields and stable weather conditions compared to other regions around the globe. The company enjoys a stable and reliable foundation for competing internationally as a result. The expanding global population and the trend toward high-quality foods should increase the market opportunities for Südzucker products, especially in countries with rising living standards. With its infrastructure for producing and marketing bioethanol in Europe, the group is in an outstanding position to benefit from the growing European market for fuel from renewable raw materials.

### Sugar segment

Südzucker's competitive position in the European Union is excellent due to its concentration on the top beet growing regions in Europe and the company will be able to take advantage of the expiry of the quota regulations to strengthen its production and market position. Producing in the European core markets and being close to

industrial customers is also a major advantage logistics-wise. Additional market opportunities for isoglucose will rise in the European sweetener market starting in 2017.

Additional opportunities will arise from exporting sugar outside the EU after 2017, when such exports will no longer be capped by export restrictions. After the expiry of quota regulations, there will be an opportunity to increase capacity utilization by extending the duration of the campaigns. Global sugar consumption is expected to increase at 2 % to 3 % per annum from the current 182 million tonnes to about 200 million tonnes by 2020. This outlook supports the world market price for sugar. Still, in the near term other factors, especially weather conditions in the main growing regions for sugar cane and sugar beets, exchange rate fluctuations and financial investor positions will have a significant influence. This applies especially to the Brazilian real and the Brazilian government's ethanol policies, which can impact the world market price for sugar. The participation in ED&F Man will also give Südzucker additional opportunities to participate in market growth.

### Special products segment

Südzucker enjoys an excellent position in several growth markets due to the expansion of its special products segment.

**BENEO** The BENEO division is a key business unit of the special products segment, which will benefit from the long-term trend toward healthier dietary habits. BENEO is a leading global supplier of functional food ingredients for food and beverages and animal feed. It offers functional carbohydrate product lines – Isomalt, Palatinose™ – and the functional dietary fibers inulin and oligofructose. A clearly differentiated offering the company markets is a special product line based on ingredients made from rice, which has hypoallergenic properties. The division aims to take advantage of current growth opportunities for

the group by expanding its product lines for new applications.

**FREIBERGER** Freiburger Group uses its Europe-wide leading position as a supplier of customer-specific convenience products labeled as the private brands of international trading companies to tap the resulting growth potential. The group's European sales and distribution activities have been extended to cover the North American markets.

**PORTIONPACK EUROPE** As the European market leader, the company creates, produces and distributes portion-sized articles. The product range covers mainly the food sector, but a number of non-food articles are also available. The key markets are in food service sectors such as hotels, restaurants and bars and caterers. PortionPack is expanding its European market share by growing internally and externally, responding flexibly to customer demands and continuously working on product innovations.

**STARCH** The starch division focuses on high-value-added specialty products. Innovative, customer-oriented products with accompanying applications consultation, ongoing product development and continuous cost optimization are among the division's key objectives. Examples include the leading shares in organic starches and non-GMO starches for the food industry or the technical leadership for specialty starches in the paper, textiles, cosmetics, pharmaceuticals and construction sectors.

## CropEnergies segment

The segment's ongoing development and profits are primarily driven by sales revenue growth for bioethanol, food, animal feed and the costs of the raw materials used.

Opportunities arise from lower grain prices and/or higher prices for bioethanol and the food and animal feed products produced in parallel. CropEnergies can to some extent avoid the volatility of the grain markets by using sugar syrups as a raw material. In addition, CropEnergies benefits by generating sales revenues from high quality foodstuffs and animal feed, which lowers net raw material costs and optimizes production process energy consumption.

The objectives of the EU's bioethanol market expansion program are to secure energy supplies, protect the world's climate and strengthen regional structures. The EU established conditions to encourage greater use of bioethanol in the fuel sector, and opportunities may arise from the resulting market growth. Should the introduction of E10 throughout Europe gain momentum, bioethanol volume could increase considerably, resulting in further growth opportunities for CropEnergies.

The construction and commissioning of the production facility for neutral alcohol in Zeitz has given CropEnergies the opportunity to pursue high-margin applications for bioethanol.

Additional opportunities for CropEnergies could arise from a consolidation of the number of suppliers in the European bioethanol market, as CropEnergies enjoys competitive advantages based on its size, locations and technological leadership.

## Fruit segment

The AGRANA fruit segment is the world market leader for fruit preparations for the dairy, ice cream and baked goods industries and the European market's largest producer of fruit juice concentrates from apples, red fruit and berries. Growth opportunities arise in countries with rising incomes, such as Russia, China and Brazil. A greater emphasis is also being placed on the American market, the regions of North Africa and the Middle East.

## Internal control and risk management system as it applies to accounting systems

**ESSENTIALS** Südzucker AG's accounting-related internal control system aims to ensure that its financial reporting and accounting practices comply with recognized standards, are reliable and effective, and that they truly reflect the company's assets, financial and earnings situation at all times. The system is embedded in the underlying business processes in all relevant legal entities and central departments and is continuously being enhanced. The main elements of the system are the principles, procedures and controls that ensure thorough and complete financial reporting; for example, consistent accounting, valuation and balance sheet procedures, processes and practices throughout the group.

**IFRS REPORTING GUIDELINE** Südzucker Group's accounting and valuation guidelines, including the accounting principles as per International Financial Reporting Standards (IFRS), ensure that the accounting and valuation systems used for all business transactions by the German and foreign subsidiaries included in Südzucker's consolidated financial statements are consistent throughout the group. Südzucker's internal IFRS Reporting Guideline ensures that IFRS is applied

as applicable to Südzucker and explains accounting topics. The contents of the IFRS Reporting Guideline are prepared centrally and are regularly updated.

**INTERNAL AUDIT SYSTEM AS RELATES TO THE ACCOUNTING PROCESS** The group accounting process starts with the group's individual companies. Individual organizational entities prepare and check their financial statements and send them to Südzucker AG's central consolidation department by uploading the data to the consolidation system. Clearly structured authorization rules are in place for all of the group's accounting-related IT systems.

Südzucker AG's central consolidation department is in charge of completing the overall consolidation and preparing the group management report and consolidated financial statements. It also oversees the group's binding standard chart of accounts and manages the IT consolidation tool.

External auditors are regularly appointed as part of the preparation of the financial statements for the valuation of provisions, primarily those for personnel.

Südzucker Group's internal monitoring system has two components: controls integrated into the processes and process-independent controls. There is a strong emphasis on the principle of segregation of duties and the principle of dual control, as well as compliance with guidelines and rules related to key business processes.

Automated validation rules and plausibility checks, especially in the IT-based consolidation system, ensure that the data entered by the individual companies is complete and correct.

Segregating the administrative, executive, accounting and approval functions and making different persons responsible greatly restricts the opportunities to engage in criminal activity. Nevertheless, it is impossible to fully exclude every eventuality, especially arbitrary personal decisions with negative ramifications, erroneous audits, criminal activities or other circumstances.

The monitoring steps taken to ensure proper and reliable accounting include, for example, analyzing business developments on the basis of specific key indicator analyses, as well as analyzing individual transactions in detail. At the group level, specific audit activities to ensure that the group accounting is being properly and reliably carried out include analyzing and, if necessary, adjusting the individual group company financial statements, taking into consideration the external auditors' reports and/or the audit debriefings.

Before integrating newly acquired companies, their internal control systems are quickly adapted to meet Südzucker Group's high standards.

**INTERNAL AUDIT** The audit committee deals mainly with compliance, monitoring the accounting process and the annual audit of the financial statements. It also reviews and verifies the effectiveness of the internal control systems, the risk management process and the internal auditing process. The internal audit department audits the internal control system, compliance with legal requirements and internal corporate guidelines, as well as the risk management system. It makes recommendations and develops any necessary process changes accordingly, thereby contributing to continuous improvement of the internal control and risk management systems.

**EXTERNAL AUDIT** The external auditor checks that the early risk identification procedure integrated into the risk management system is entirely suitable for timely identification of existential risks. The auditor also reports to the supervisory board any material weaknesses found in the internal control and risk management system. During the audit of the closing financial statements, the auditor confirmed that Südzucker's early warning system is capable of timely detection of existential risks. The auditor has not encountered any material weaknesses in the internal accounting-related auditing system during its audit.

## Outlook

We anticipate revenues to remain at the preceding year's levels for the 2016/17 financial year. The wheat starch factory that was built last year in Zeitz will begin contributing to revenues during the second half of the year. Moreover, due to changes to the Accounting Directive Implementation Act (BilRUG), transactions that previously qualified as other operating result will now be shown as revenues. However, there will no longer be revenue contributions from the discontinued sales cooperation with Mauritius Sugar Syndicate (MSS).

Prices appear to be increasing in the sugar market, which should result in a moderate rise in average revenues for the 2016/17 financial year. Additional cost-cutting programs should also lead to an improved, if not yet positive operating result.

While the decline in interest expenses due to the lower net financial debts will continue, it is no longer possible to achieve the high investment income rate of the previous year.

While the decline in interest expenses due to the lower net financial debts will continue, it is no longer possible to achieve the high investment income rate of the previous year.

The net earnings are expected to at least reach the previous year's level.



## Recommendation on appropriation of profits

The executive and supervisory boards will recommend a dividend of € 0.30 (0.25) per share to the annual general meeting on 14 July 2016. With dividend-bearing capital of € 204.2 (204.2) million, this represents a total dividend pay-out of € 61.3 (51.0) million. The dividend is scheduled to be paid on 15 July 2016.

## Concluding declaration regarding the dependent company report pursuant to section 312 (3) of the stock corporation act (AktG)

According to notice received from Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Ochsenfurt, the entity holds a majority interest in our company through its own holdings of Südzucker shares and the shares it holds in trust for its associated shareholders. The report in this regard, based on article 312 of the German Stock Corporation Act, closes with the following declaration:

"Our company received an appropriate consideration for every legal transaction and measure itemized in the dependent company report on Related Party Disclosures with Süddeutsche Zuckerrübenverwertungsgenossenschaft eG (SZVG), Ochsenfurt, its regional associations and beet growers based on the conditions that were known to us at the time the legal transactions were made but did not participate because the measures were implemented. No measures our company is obligated to report pursuant to section 312 (3) of the Stock Corporation Act (AktG) were taken or omitted."

# FINANCIAL Statements

## Balance sheet as of 29 February 2016

### ASSETS

(€ '000)	Notes	29 February 2016	29 February 2015
Intangible assets		7,675	13,671
Property, plant and equipment		478,844	396,253
Financial assets		2,781,980	2,782,253
<b>Fixed assets</b>	1	<b>3,268,499</b>	<b>3,192,177</b>
Inventories	2	389,101	522,522
Receivables and other assets	3	694,468	852,188
Securities	4	209,200	97,613
Cash and cash equivalents		2,452	1,727
<b>Current assets</b>		<b>1,295,221</b>	<b>1,474,050</b>
<b>Accrued and deferred items</b>	5	<b>1,364</b>	<b>1,914</b>
		<b>4,565,084</b>	<b>4,668,141</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY

(€ '000)	Notes	29 February 2016	29 February 2015
Subscribed capital		204,183	204,183
Capital reserve		1,620,579	1,620,579
Revenue reserves		259,278	252,978
Net earnings available for distribution		61,327	51,146
<b>Shareholders' equity</b>	6	<b>2,145,367</b>	<b>2,128,886</b>
<b>Special items with an equity portion</b>	7	<b>34,027</b>	<b>35,362</b>
Provisions for pensions and similar obligations	8	478,059	461,216
Other provisions	9	323,329	311,796
<b>Provisions</b>		<b>801,388</b>	<b>773,011</b>
<b>Liabilities</b>	10	<b>1,584,302</b>	<b>1,718,992</b>
<b>Accrued and deferred items</b>	11	<b>0</b>	<b>11,890</b>
		<b>4,565,084</b>	<b>4,668,141</b>

## Income statement

### 1 March 2014 to 29 February 2016

(€ '000)	Notes	1 March 2015– 29 February 2016	1 March 2014– 29 February 2015
Revenues	13	1,170,847	1,349,783
Change in work in progress and finished goods and internal costs capitalized	14	-100,114	-42,605
Other operating income	15	87,286	109,189
Cost of materials	16	-804,254	-990,249
Personnel expenses	17	-196,064	-179,252
Depreciation of intangible assets and fixed assets		-51,458	-48,623
Other operating expenses	18	-215,203	-220,077
Investment income/expense	19	214,692	160,314
Interest income/expense	20	-36,118	-39,602
<b>Income from ordinary activities</b>		<b>69,614</b>	<b>98,878</b>
Taxes on income	21	-1,339	-13,664
Other taxes		-748	-743
<b>Net earnings for the year</b>		<b>67,527</b>	<b>84,471</b>
Profit brought forward from the previous year		100	475
Allocations to revenue reserves		-6,300	-33,800
<b>Net earnings available for distribution</b>		<b>61,327</b>	<b>51,146</b>

## Notes to the financial statements

### Application of German GAAP (HGB)

The financial statements of Südzucker AG were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The income statement has been prepared using the nature of expense method. Certain items in the balance sheet and income statement have been combined in order to improve the clarity of presentation. These items are shown separately and described in the notes to the financial statements.

The financial statements have been prepared in euros. Unless otherwise indicated, all amounts are disclosed in thousands of euros (€ '000) or millions of euros (€ million). The previous year's numbers are generally put in parentheses in the notes.

### Accounting policies

Transactions in foreign currencies are recognized at the historical exchange rate at the time of initial recognition.

**Long-term foreign currency receivables** are recognized at the asking price when the claim arises or at the lower fair value on the basis of the average spot exchange rate on the financial reporting date (impairity principle). **Short-term foreign currency receivables** (remaining term of one year or less) and cash or other current assets denominated in foreign currencies are translated at the average spot exchange rate at the balance sheet date.

**Long-term foreign currency liabilities** are measured at the bid price when the liability arises or at the higher closing rate on the basis of the average spot exchange rate on the financial reporting date (impairity principle). **Short-term foreign currency liabilities** (remaining term of one year or less) are translated at the average spot exchange rate at the balance sheet date.

Exchange gains or losses from different average spot exchange rates between the transaction date and the balance sheet date are reported under other operating income or expense.

### Fixed assets

**Intangible assets and fixed assets** are measured at acquisition or production cost less depreciation and write-downs. In addition to the wear and tear of the fixed assets, production costs for internally-constructed equipment also include the production material, labor costs, and appropriate components of the overheads required.

Items subject to depreciation according to requirements of German commercial law are depreciated using the declining-balance or straight-line method.

Intangible assets are depreciated using the straight-line method.

Fixed assets acquired on or after 1 January 2001 were offset at a rate of maximum 20 percent when depreciated using the declining-balance method. Fixed assets acquired on or after 1 January 2006 to 31 December 2007 were offset pursuant to tax provisions at a rate of maximum 30 percent when depreciated using the declining-balance method.

Fixed assets acquired after 31 December 2008 were offset at a rate of maximum 25 percent when depreciated using the declining-balance method. The transition from the declining-balance to the straight-line method takes place at the date at which the remaining carrying amount distributed in equal annual amounts over the remaining useful life leads to higher depreciation rates.

The straight-line method was used exclusively for fixed assets acquired or produced on or after 1 March 2010. Südzucker AG exercises the option of using the reduced carrying amount (Beibehaltungswahlrecht) pursuant to note 67 (4) sentence 1 of the Introductory Act to the German Commercial Code (EGHGB).

Independently usable movable items of fixed assets subject to depreciation are fully depreciated in the year of initial recognition if their acquisition or production costs do not exceed € 150. Depreciable movable assets under fixed assets acquired or produced after 31 December 2007 whose acquisition or production costs are greater than € 150 but do not exceed € 1,000 were combined into compound items. Compound items are depreciated at the same rate over a period of five years.

Depreciation of fixed assets and of intangible assets is based on the following useful lives:

Intangible assets	2 to 9 years
Buildings	10 to 50 years
Technical equipment and machinery	5 to 15 years
Factory and office equipment	3 to 10 years

**Shares in affiliated companies and the participations** are measured at acquisition cost or the lower fair value. Borrowings are recognized at their nominal amount.

**Long-term financial investments** are measured at acquisition cost, if applicable, less depreciation of the respective lower fair value at the end of the financial year.

Lower fair values of fixed assets are accounted for with write-downs if continued impairment is expected. Write-downs are reversed if the reasons for the write-downs no longer exist.

## Current assets

**Materials and other supplies** are measured according to the principles of valuation on a separate or standard value basis at acquisition costs with due respect for the lower-of-cost-or-market principle. Merchandise is measured at acquisition cost with due respect for the lower-of-cost-or-market principle. Appropriate valuation reductions are made each time realizability is limited.

**Finished goods and work in progress** are measured in accordance with notes 253 to 256 HGB at production costs or at the recoverable net proceeds derived from the sale price with due respect for the principle of loss-free evaluation. The FIFO method is used in the measurement of finished goods. Valuation reductions are made if inventory risk arises from extended storage duration or reduced realizability.

The depreciation of the fixed assets in use (wear and tear), the directly attributable material and production costs and the appropriate components of the necessary material and production overheads are considered when determining production costs for sugar. Interest expense is not included.

**Short-term financial investments** are reported at acquisition cost, less depreciation of the respective lower quoted or market price at the end of the financial year.

**Receivables and other assets** are measured either at nominal value with due respect for the lower-of-cost-or-market principle or at discounted value. Individual allowances are made in the estimated amount of default risk for doubtful receivables. General credit risk is accounted for with general allowances.

CO<sub>2</sub> emission certificates allocated free of charge are capitalized with an acquisition value of zero; certificates acquired for a fee are recognized at their acquisition cost. Provisions are recognized in the amount of the acquisition cost for the certificates if CO<sub>2</sub> emissions exceed the allocated certificates.

**Cash and cash equivalents** are recognized at their nominal value.

Write-downs are reversed if the reasons for the write-downs no longer exist.

## Prepaid expenses

Expenses paid prior to the balance sheet date are classified as an asset and recorded as prepaid expenses insofar as they represent expenses for a particular period after the reporting date.

## Subscribed capital

Subscribed capital is recognized at nominal value.

The book value of the treasury stock acquired is deducted on the face of the balance sheet from the item “subscribed capital” in the preceding column. The difference between the book value and the acquisition costs for the treasury shares is offset against the available retained earnings. Acquisition-related costs are recognized as an expense for the fiscal year.

### Special untaxed reserves

Special untaxed reserves for differences from increased depreciation permissible according to tax law and special depreciation as well as regular depreciation on a straight-line or declining balance basis were recognized until 28 February 2010.

Südzucker AG exercises the option of using the reduced carrying amount (continuation option) pursuant to note 67 (3) s. 1 of the Introductory Act to the German Commercial Code (EGHGB).

### Provisions

Provisions for **pensions and similar obligations** are determined on the basis of biometric probabilities (Heubeck 2005 G actuarial tables) using the projected unit credit method. The wage and pension inflation parameters were adjusted as follows on the basis of current wage and pension inflation and medium-term projections: The future salary and income threshold increase rates were as in the previous year set at 2.50 (2.50) percent, of an income threshold trend (“Beitragsbemessungsgrenze”) of 2.50 (2.50) percent, the future pension increase rate at 1.50 (1.50) percent and the average employee turnover rate at 1.0 (1.0) percent. An actuarial interest rate of 4.27 (4.48) percent was used as a basis for the discount rate for pension obligations as at 29 February 2016.

This corresponds to the average market interest rate from the past ten (in prior year seven) financial years determined by Deutsche Bundesbank for an assumed time to maturity of 15 years. Changes to the discount rate that affect net income and fair value changes to fund assets are shown in the financial results. The asset value of the liability insurance is recognized for reinsured obligations from deferred compensation.

Provisions for pensions and similar obligations are offset with existing fund assets (pension liability) which were recognized at fair value. The fair value of fund assets is the actuarial asset value of the liability insurance, which corresponds to the historic acquisition costs.

For the measurement of **provisions for partial retirement** (“Altersteilzeit”), increases are treated as “payments with compensation character” according to the rules outlined in the latest applicable version of IDW RS HFA 3. The discount rate for provisions for part-time early retirement credits is 2.43 (3.21) % and 3.77 (4.48) % for anniversary claims. The salary trend corresponds to that of the provisions for pensions and similar obligations.

Other provisions are recognized for **contingent liabilities** and **imminent losses** from pending business transactions. Provisions are also recognized for maintenance expenses that have been put off and are made up for within three months of the following financial year. Other provisions are measured in the amount of the settlement value required according to reasonable commercial assessment that also includes price and cost increases. Provisions with a remaining term of more than one year are discounted corresponding to their remaining term with the relevant average market interest rate.

## Liabilities

All liabilities are reported using their settlement value.

## Deferred revenue

Income received prior to the balance sheet date is classified as a liability and recorded as deferred revenue insofar as it represents earnings for a particular period after the reporting date.

## Deferred tax

Deferred tax is measured for temporary differences between legal commercial and tax valuations of assets, liabilities and accrued and deferred items. Interest carry forwards and tax loss carry forwards are also considered in addition to temporary accounting differences.

Deferred tax is calculated on the basis of the combined income tax rate of 29.1 percent currently applicable for the Südzucker AG tax group. The combined income tax rate comprises the German corporate income tax (Körperschaftsteuer), the trade tax on income (Gewerbesteuer) and the solidarity tax (Solidaritätszuschlag).

If applicable, a resulting tax burden is recognized in the balance sheet as a deferred tax liability. If deferred tax assets are greater than deferred tax liabilities the option of not recognizing any deferred tax assets is exercised. In the financial year under review deferred tax assets were greater and thus not recognized.

## Research and development expenses

The option of capitalizing development expenses is not exercised.

Research expenses are recognized directly in the income statement as expenses that cannot be capitalized.

## Creation of valuation units for hedging instruments

Accounting for valuation units is based on the principle that comparable risks from a hedged item are offset economically by opposite changes in value or cash flows from a hedge. Unrealized gains and losses are therefore not considered in the scope and for the period in which opposite changes or cash flows from a hedged item and hedge offset each other.

Hedging instruments are considered a valuation unit with the hedged item if the requirement for the creation of valuation units is met. When disclosing the market values the amount is applied which would flow to or from Südzucker AG assuming the hedge were reversed at the balance sheet date. As hedge transactions only comprise normal market tradable financial instruments, the market value is derived from quoted prices on exchanges without offsetting any possible value changes relating to the underlying transaction being hedged.

Where a loss results from offsetting changes in value of a hedged item and hedging instrument and this is attributable to the hedged risk, a provision for ineffective hedging is to be recognized in the income statement as an expense. The effective portions of the valuation units are not accounted for in the balance sheet or income statement (net hedge presentation method).

## Notes to the balance sheet

### (1) Fixed assets

#### Intangible assets

(€ '000)	Intangible assets
<b>Acquisition or production cost</b>	
As of 1 March 2015	109,993
Addition	2,448
Disposal	-1,028
Transfer	0
As of 29 February 2016	<b>111,413</b>
<b>Accumulated depreciation</b>	
As of 1 March 2015	96,322
Annual depreciation	8,438
Disposal	-1,022
As of 29 February 2016	<b>103,738</b>
<b>Net book value</b>	
29 February 2015	<b>13,671</b>
29 February 2016	<b>7,675</b>

Intangible assets relate exclusively to concessions acquired against payment, trademarks and similar rights and assets.

#### Property, plant and equipment

(€ '000)	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Advances paid and construction in progress	Property, plant and equipment
<b>Acquisition or production cost</b>					
As of 1 March 2015	397,701	1,179,934	117,625	53,227	<b>1,748,487</b>
Addition	25,446	37,281	10,053	54,250	<b>127,030</b>
Disposal	-2,586	-6,265	-6,606	0	<b>-15,457</b>
Transfer	13,878	7,630	3,133	-24,641	<b>0</b>
As of 29 February 2016	<b>434,439</b>	<b>1,218,580</b>	<b>124,205</b>	<b>82,836</b>	<b>1,860,060</b>
<b>Accumulated depreciation</b>					
As of 1 March 2015	230,361	1,033,717	88,156	0	<b>1,352,234</b>
Annual depreciation	8,734	24,980	9,306	0	<b>43,020</b>
Disposal	-2,161	-5,781	-6,096	0	<b>-14,038</b>
As of 29 February 2016	<b>236,934</b>	<b>1,052,916</b>	<b>91,366</b>	<b>0</b>	<b>1,381,216</b>
<b>Net book value</b>					
29 February 2015	<b>167,340</b>	<b>146,217</b>	<b>29,469</b>	<b>53,227</b>	<b>396,253</b>
29 February 2016	<b>197,505</b>	<b>165,664</b>	<b>32,839</b>	<b>82,836</b>	<b>478,844</b>

## Financial assets

(€ '000)	Shares in affiliated companies	Participations	Other loans	Financial assets
<b>Acquisition or production cost</b>				
As of 1 March 2015	3,567,200	208	812	3,568,220
Addition	0	0	0	0
Disposal	0	-128	-145	-273
As of 29 February 2016	3,567,200	80	667	3,567,947
<b>Accumulated depreciation</b>				
As of 1 March 2015	785,967	0	0	785,967
As of 29 February 2016	785,967	0	0	785,967
<b>Net book value</b>				
29 February 2015	2,781,233	208	812	2,782,253
29 February 2016	2,781,233	80	667	2,781,980

### (2) Inventories

(€ '000)	29 February 2016	29 February 2015
Raw materials and supplies	43,887	59,393
Work in progress	94,398	125,982
Finished goods, merchandise	250,816	337,147
	<b>389,101</b>	<b>522,522</b>

The decline in **finished goods** as at 29 February 2016 is largely attributable to lower production costs than in the previous year. Some finished goods had to be written down due to unexpected lower sales proceeds.

### (3) Receivables and other assets

(€ '000)	29 February 2016	29 February 2015
Trade receivables	65,327	86,745
<i>thereof with remaining term of more than one year</i>	<i>1,055</i>	<i>2,923</i>
Receivables owed by affiliated companies	565,142	709,627
<i>thereof with remaining term of more than one year</i>	<i>160,405</i>	<i>160,405</i>
Receivables owed by companies in which participations are held	164	112
Other assets	63,835	55,704
	<b>694,468</b>	<b>852,188</b>

Individual impairments of €'000 10,521 (10,572) have been made for **trade receivables** totalling €'000 65,327 (86,745).

**Receivables from affiliated companies** comprise financial receivables from group loans in the amount of €'000 212,005 (331,405), trade receivables of €'000 78,700 (40,629) and other receivables in the amount of €'000 274,437 (337,593), which are used as a short-term basis for the group financing of subsidiaries (Cash-Pool).

**Other assets** totalling €'000 63,835 (55,704) include €'000 16,792 (16,792) in receivables at the reporting date from one-time tax income from the conclusion of long-term tax court proceedings regarding taxation issues under the Foreign Transaction Tax Law (Außensteuergesetz) and receivables in the amount of €'000 23,028 (9,080) from the reimbursement of production levies from previous years. Also recognized here are the VAT receivables and energy tax reimbursement claims.

#### (4) Securities

(€ '000)	29 February 2016	29 February 2015
Shares in affiliated companies	56,700	56,700
Other securities	152,500	40,913
	<b>209,200</b>	<b>97,613</b>

**Shares in affiliated companies** include the shares of AGRANA Beteiligungs-AG, Vienna, Austria, which should be returned to free float in the foreseeable future. The aim here is to increase the liquidity of AGRANA shares on the Vienna Stock Exchange. A bond in the amount of €'000 125,000 was acquired in the 2015/16 financial year.

#### (5) Accrued and deferred items

This item primarily includes accrued interest expense.

#### (6) Shareholders' equity

##### Changes in equity

(€ '000)	1 March 2015	Divided for 2014/15	Net earnings for the year	29 February 2016
Subscribed capital	204,183			204,183
Capital reserve	1,620,579			1,620,579
Revenue reserves	252,978		6,300	259,278
Net earnings available for distribu	51,146	51,046	61,227	61,327
	<b>2,128,886</b>	<b>51,046</b>	<b>67,527</b>	<b>2,145,367</b>

As of 29 February 2016, the **subscribed capital** is valued at € 204,183,292 and consists of 204,183,292 bearer shares; this exclusively concerns no-par value ordinary shares, each of which represents a notional holding of € 1 per share. The company had no treasury shares as of the period end.

Südzucker AG did not exercise any accounting options that trigger a distribution restriction.

#### (7) Special items with an equity portion

Special untaxed reserves included only impairment losses for tax purposes.

#### (8) Provisions for pensions and similar obligations

Current obligations for pensions and benefits are reported under provisions for pensions and similar obligations. The amount required to fund provisions for pensions and similar obligations in the amount of €'000 480,725 (463,807) is offset against the pension fund assets (funding sources) in the

amount of €'000 2,666 (2,591). The fair value of fund assets is the actuarial asset value of insurance policies, which corresponds to the historic acquisition costs.

The difference between the recognized provisions in accordance with the corresponding average market interest rate derived from the previous ten financial years and the recognized provisions in accordance with the corresponding average market interest rate from the previous seven financial years pursuant to section 253 (6) HGB is €'000 35,573.

#### (9) Other provisions

(€ '000)	29 February 2016	29 February 2015
Tax provisions	99,565	109,365
Other provisions	223,764	202,431
	<b>323,329</b>	<b>311,796</b>

**Tax provisions** include additions from income tax expenses for periods not yet completed for tax audit purposes. Reimbursements and accrual reversals mitigated these charges. Overall, the tax expenses relating to other periods totaled € 1.3 million.

**Other provisions** comprised obligations for personnel expenses, expenses for exporting beet soil and recultivation of sludge lagoons and/or earth-moving operations for soil preparation and improvement, and Risks arising from the EU sugar market regulation and for litigation risks and risk precautions.

Provisions were also recognized for maintenance expenses that were put off in the financial year under review and will be made up for within three months of the following financial year.

The provision for part-time early retirement was recognized for such agreements already concluded prior to and those already committed as of the balance sheet date. It includes top-up contributions and accumulated settlement amounts accrued up to the balance sheet date.

**(10) Liabilities**

(€ '000)	29 February 2016				29 February 2015			
	Total	< 1 year	1 – 5 years	> 5 years	Total	< 1 year	1 – 5 years	> 5 years
Bonds	124,981	124,981	0	0	199,985	199,985	0	0
Liabilities to banks	188,778	17,130	107,263	64,385	205,716	40,138	91,596	73,982
Trade payables	200,740	200,740	0	0	244,433	244,433	0	0
Liabilities to affiliated companies	959,763	289,213	670,550	0	971,873	340,573	631,300	0
<i>thereof trade payables</i>	<i>9,846</i>	<i>9,846</i>	<i>0</i>	<i>0</i>	<i>12,991</i>	<i>12,991</i>	<i>0</i>	<i>0</i>
Liabilities to companies with which there is a participating interest	3,910	3,910	0	0	2	2	0	0
Other liabilities	106,130	106,130	0	0	96,983	96,983	0	0
<i>thereof for taxes</i>	<i>3,942</i>	<i>3,942</i>	<i>0</i>	<i>0</i>	<i>4,531</i>	<i>4,531</i>	<i>0</i>	<i>0</i>
<i>thereof for social security</i>	<i>8,683</i>	<i>8,683</i>	<i>0</i>	<i>0</i>	<i>8,802</i>	<i>8,802</i>	<i>0</i>	<i>0</i>
	<b>1,584,302</b>	<b>742,104</b>	<b>777,813</b>	<b>64,385</b>	<b>1,718,992</b>	<b>922,114</b>	<b>722,896</b>	<b>73,982</b>

Short-term commercial paper issuances as at 29 February 2016 were included in the item **Bonds**.

**Liabilities to banks** amount to €'000 188,778 after €'000 205,716 last year.

Obligations to beet growers of €'000 160,167 (187,644) are reported under **trade payables**.

**Liabilities to affiliated companies** totalling €'000 959,763 (971,873) primarily concern borrowing from bonds issued through Südzucker International Finance B.V., Oud-Beijerland / Netherlands.

**Other liabilities** primarily include liabilities to insurance institutions, tax liabilities and liabilities from payroll accounting.

All liabilities are unsecured.

**(11) Accrued and deferred items**

Income from EU restructuring assistance was offset by the proportionate carrying amount of the additional quota, with a total of € 153.3 million deferred to be reversed to income on a pro rata basis up until 2015/16.

## (12) Contingent liabilities, other financial commitments and derivative financial instruments

Of the future obligations resulting from lease agreements for office space, office and factory equipment as well as facilities leasing, € 2.4 (1.9) million is due within up to one year, € 0.0 (0.0) million within one to five years, and € 0.0 (0.0) million after five years; of these amounts, € 0.5 (0.5) million is attributable to affiliated companies and is due within one to five years. Other financial commitments from open orders totaled € 40.6 million (€132.7 million) as of the balance sheet date. In previous year these rose in particular in connection with the construction of the new starch factory in Zeitz.

For bonds issued by Südzucker Finance B.V. in favor of the creditors, Südzucker AG issued guarantees totaling € 400.0 million (€ 400.0 million) and, in the case of the subordinate hybrid bond, a subordinated guarantee totaling € 700.0 million (€ 700.0 million). A further guarantee was issued in favor of the creditors of BENEIO Orafiti Chile S.A. for a maximum credit line of USD 25.0 (25.0) million; as of the balance sheet date the company had accessed USD 9.9 (24.2) million from the credit line. Due to the financial situation of the companies, utilization of the guarantees issued is not currently anticipated.

Südzucker AG is jointly and severally liable for credit taken out by Rackwitzer Biogas GmbH in the (original) amount of € 10 million. Utilization is unlikely due to the financial situation of Rackwitzer Biogas GmbH.

Besides the other financial commitments and contingent liabilities presented, there are no off-balance-sheet transactions that would be of importance for the financial position of the company.

For a loan in the amount of GBP 12.5 million to a subsidiary, Südzucker AG entered into a currency swap to hedge the currency risk associated with interest payments and loan repayment. The hedged item (loan granted in a foreign currency) and the hedging instrument (cross currency swap) are considered a micro-hedge because together they meet the requirements for hedging a single asset. Accordingly, no depreciation of the GBP receivable is taken due to currency fluctuations and no provision is recognized in the event of a negative market value of the hedging instrument. On the balance sheet date, the cross currency swap had a negative market value of € 2.9 (0.6) million. The maturity dates of the hedging instrument are 21 October 2016 and 27 March 2019.

The effectiveness test determined that the significant value-determining parameters (critical terms) such as nominal amounts, currency, beginning, maturity, etc. of the hedged item and hedge are compliant, which is why it can be assumed that the opposite cash flows will completely offset each other in the future.

368 open sugar contracts had been concluded on February 29, 2016. The market value is + \$ 0.3 million. The transactions were not accounted for on the balance sheet.

The compliance of these parameters is reviewed prospectively, and the effectiveness of the hedging relationship is assessed regularly as part of the risk management system.

## Notes to the income statement

### (13) Sales

(€ '000)	2015/16	2014/15
<b>Classification according to activities</b>		
Own production	932,325	1,070,792
<i>thereof sugar</i>	798,835	928,663
<i>thereof other revenue</i>	133,490	142,129
Revenues from services	98,166	86,844
Merchandise revenue	140,356	192,147
<i>thereof sugar</i>	102,851	149,825
<i>thereof by products</i>	37,505	42,322
	<b>1,170,847</b>	<b>1,349,783</b>
<b>Classification according to geographical markets</b>		
Germany	753,799	914,798
EU	404,878	416,506
Others	12,170	18,479
	<b>1,170,847</b>	<b>1,349,783</b>

### (14) Change in work in progress and finished goods inventories and internal costs capitalized

(€ '000)	2015/16	2014/15
Change in finished goods and work in progress	-103,600	-45,665
Internal costs capitalized	3,486	3,060
	<b>-100,114</b>	<b>-42,605</b>

### (15) Other operating income

Other operating income includes income from prior periods totalling €'000 20,075 (31,415), which largely resulted from the reimbursement of production levies from previous years, accounting profits and the reversal of provisions. Also included is income from currency translation totalling €'000 134 (194).

Other operating income included income from the release of special untaxed reserves in the amount of €'000 1,351 (1,394) and income from the reversal of deferred items totalling €'000 11,890 (20,383).

### (16) Cost of materials

(€ '000)	2015/16	2014/15
Cost of raw materials and consumables and merchandise	693,491	887,783
Cost of purchased services	110,763	102,466
	<b>804,254</b>	<b>990,249</b>

**(17) Personnel expenses**

(€ '000)	2015/16	2014/15
Wages and salaries	149,061	144,700
Social contributions and expenses for retirement and other benefits	47,003	34,552
<i>thereof retirement benefits</i>	20,747	8,722
– Service cost	8,710	8,657
– Parameter adjustments, among others	12,037	65
	<b>196,064</b>	<b>179,252</b>

**Average number of employees during the year**

Industrial employees	1,148	1,126
Salaried employees	1,099	1,090
Apprentices	199	196
	<b>2,446</b>	<b>2,412</b>

**(18) Other operating expenses**

Other operating expenses include expenses from prior periods totalling €'000 255 (624). Also included are expenses from currency translation totalling €'000 175 (66).

**(19) Investment income/expense**

(€ '000)	2015/16	2014/15
Income from profit transfer agreements	185,890	127,326
Income from investments	28,803	32,990
<i>thereof from affiliated companies</i>	28,304	32,977
<i>thereof from other investments</i>	499	13
Expenses from transfer of losses	-1	-2
	<b>214,692</b>	<b>160,314</b>

**(20) Interest income/expense**

(€ '000)	2015/16	2014/15
Expenses / Income from other long-term financial investments and loans	-2,495	39
Other interest and similar income	14,090	12,176
<i>thereof from affiliated companies</i>	12,664	10,496
Interest and similar expenses	-47,713	-51,817
<i>thereof from discounting</i>	-21,124	-22,774
<i>thereof from affiliated companies</i>	-21,996	-23,846
	<b>-36,118</b>	<b>-39,602</b>

Expense from the unwinding of the discount for long-term obligations totalling €'000 21,124 (22,774) is recognized in the interest result in the year under review. This primarily results from the unwinding of the discount for provisions for pensions and similar obligations totalling €'000 20,209 (21,548) and/or non-current provisions for personnel expenses and liabilities totalling €'000 915 (1,226), which are netted against income from the fair value measurement of plan assets of €'000 2,666 (2,591).

**(21) Taxes on income**

Taxes on income comprise tax expense from the current financial year and tax income from previous years.

Deferred tax assets of € 132.1 million result primarily from higher valuations in the commercial balance sheet for provisions for pensions, part-time early retirement and anniversaries and other provisions along with loss carryforwards for German corporate income tax (Körperschaftsteuer) and the trade tax on income (Gewerbsteuer) in comparison to the tax balance sheet.

This compares with deferred tax liabilities of € 23.5 million. They primarily result from higher valuations of financial assets in the commercial balance sheet compared to the tax balance sheet.

In total deferred tax assets exceeded deferred tax liabilities; deferred tax assets were not recognized.

In determining deferred taxes a theoretical tax rate of 29 % is assumed. The effective tax rate is 2 %. Differences between the theoretical tax rate and the effective tax rate largely result from tax reductions from tax-free income and non-deductible operating expenses.

**Other disclosures****(22) Research and development expenses**

Research and development expenses totalled €'000 20,345 (18,074) and were completely recognized in the income statement.

**(23) Total compensation of the executive board and supervisory board and former executive board and supervisory board members**

The total compensation granted to members of the executive board by Südzucker AG in the 2015/16 financial year amounted to € 2.2 million (€ 2.9 million). The variable component makes up 31 percent (36 percent) of their remuneration in cash, and depends on the dividend to be approved by the annual general meeting. Provisions for pensions of € 27.3 million (€ 27.4 million) relate to former members of Südzucker AG's executive board and their dependents. Pension payments to former members of Südzucker AG's executive board and their dependents amounted to € 3.5 million (€ 2.7 million). Total remuneration paid to Südzucker AG's supervisory board for all activities was € 1.6 million (€ 1.2 million) in the 2015/16 financial year. The remuneration systems for the executive board and supervisory board are discussed under "Remuneration" in the Südzucker group management report.

**(24) Disclosures pursuant to section 160 (1) No. 8 AktG**

There are no security transactions subject to disclosure for the 2015/16 financial year.

**(25) Shareholdings**

Both equity and the annual results of German participations are disclosed uniformly according to the German Commercial Code (HGB). If a profit and loss transfer agreement exists with the relevant participation, the annual results are disclosed as zero. The list of shareholdings is found on pages 74ff in these notes to the financial statements. Disclosures are presented in compliance with section 313 (2) and section 285 No. 11 HGB

**(26) Supervisory board and executive board****SUPERVISORY BOARD****Dr. Hans-Jörg Gebhard, Eppingen****Chairman**

Chairman of the executive board of Verband Süddeutscher Zuckerrübenanbauer e. V.

*Memberships in other domestic, statutory supervisory boards*

- CropEnergies AG, Mannheim
- GoodMills Deutschland GmbH, Hamburg

*Memberships in comparable German and foreign supervisory committees*

- AGRANA Beteiligungs-AG, Vienna, Austria
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna, Austria (Deputy Chairman)
- Freiburger Holding GmbH, Berlin
- Raffinerie Tirlemontoise S.A., Brussels, Belgium
- Saint Louis Sucre S.A.S., Paris, France
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt (Chairman)
- Vereinigte Hagelversicherung VVaG, Gießen
- Z & S Zucker und Stärke Holding AG, Vienna, Austria

**Franz-Josef Möllenberg\*, Rellingen****1. Deputy Chairman**

Officer of Gewerkschaft Nahrung-Genuss-Gaststätten

*Memberships in other domestic, statutory supervisory boards*

- CropEnergies AG, Mannheim

**Erwin Hameseder, Mühldorf, Austria****2. Deputy Chairman**

Obmann of Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H.

*Memberships in comparable German and foreign supervisory committees*

- Flughafen Wien AG, Vienna, Austria (1. Deputy Chairman)
- RWA Raiffeisen Ware Austria AG, Vienna, Austria
- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen, Vienna, Austria
- UNIQA Versicherungen AG, Vienna, Austria (2. Deputy Chairman)

*Group-mandates of Südzucker-Group and of Raiffeisen-Holding Niederösterreich-Wien-Group*

- AGRANA Beteiligungs-AG, Vienna, Austria (Chairman)
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna, Austria (1. Deputy Chairman)
- Leipnik-Lundenburger Invest Beteiligungs-AG, Vienna, Austria
- Mediaprint Zeitungs- und Zeitschriften GmbH & Co. KG, Vienna, Austria (Chairman)
- Raiffeisen Bank International AG, Vienna, Austria (1. Deputy Chairman)
- Raiffeisen Zentralbank Österreich AG, Vienna, Austria (Chairman)
- Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna, Austria (Chairman)
- STRABAG SE, Villach, Austria (Deputy Chairman)
- Z & S Zucker und Stärke Holding AG, Vienna, Austria (Chairman)

**Dr. Jochen Fenner, Gelchsheim**

Chairman of the executive board of SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG and Chairman of the executive board of Verband Fränkischer Zuckerrübenanbauer e.V.

*Memberships in comparable German and foreign supervisory committees*

- AGRANA Beteiligungs-AG, Vienna, Austria
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna, Austria
- Z & S Zucker und Stärke Holding AG, Vienna, Austria

**Helmut Friedl, Egling a. d. Paar (since 16 July 2015)**

Chairman of the executive board of Verband bayrischer Zuckerrübenanbauer e. V.

**Yüksel Gediagac\*, Berlin**

Chairman of the works council of Freiburger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG

\* Employee representatives

**Veronika Haslinger, Vienna, Austria**

Managing director of Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H.

*Memberships in comparable German and foreign supervisory committees*

- SZVG Süddeutsche Zuckerrübenverwertungsgenossenschaft eG, Ochsenfurt

*Group-mandates of Raiffeisen-Holding Niederösterreich-Wien group*

- KURIER Beteiligungs-Aktiengesellschaft, Vienna, Austria (Chairman)
- Mediaprint Zeitungs- und Zeitschriftenverlag Gesellschaft m.b.H., Vienna, Austria
- NÖM AG, Baden, Austria
- Österreichische Rundfunksender GmbH, Vienna, Austria
- Raiffeisen Informatik GmbH, Vienna, Austria

**Ralf Hentzschel, Panschwitz-Kuckau**

Chairman of Verband Sächsisch-Thüringischer Zuckerrübenanbauer e.V.

*Memberships in comparable German and foreign supervisory committees*

- SZVG Süddeutsche Zuckerrübenverwertungsgenossenschaft eG, Ochsenfurt (Deputy Chairman)

**Wolfgang Kirsch, Königstein**

Chairman of the executive board of DZ BANK AG

*Memberships in comparable German and foreign supervisory committees*

- Adolf Würth GmbH & Co. KG, Künzelsau

*Group-mandates of DZ Bank AG group*

- Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall (Chairman)
- R+V Versicherung AG, Wiesbaden (Chairman)
- Union Asset Management Holding AG, Frankfurt/Main (Chairman)

**Georg Koch, Wabern**

Chairman of the executive board of Verband der Zuckerrübenanbauer Kassel e.V.

**Susanne Kunschert, Stuttgart**

Managing partner of Pilz GmbH & Co. KG

*Memberships in comparable German and foreign supervisory committees*

- Karlsruher Institut für Technologie, Karlsruhe

**Erhard Landes, Donauwörth (until 16 Julj 2015)**

Former Chairman of the executive board of Bayerischer Zuckerrübenanbauer e.V.

**Günther Link\*, Oberickelsheim**

Chairman of the works council of the plant Ochsenfurt of Südzucker AG

**Bernd Maiweg\*, Bellheim**

Divisional officer of Gewerkschaft Nahrung-Genuss-Gaststätten

**Joachim Rukwied, Eberstadt**

President of Deutscher Bauernverband e.V.

*Memberships in other domestic, statutory supervisory boards*

- BAYWA AG, München
- R+V Versicherung AG, Wiesbaden

*Memberships in comparable German and foreign supervisory committees*

- Buchstelle Landesbauernverband Baden-Württemberg GmbH, Stuttgart (Chairman)
- Kreditanstalt für Wiederaufbau, Frankfurt/Main
- LAND-DATA GmbH, Visselhövede (Chairman)
- Landwirtschaftliche Rentenbank, Frankfurt/Main (Chairman)
- Messe Berlin GmbH, Berlin

**Ronny Schreiber\*, Einhausen**

Chairman of the works council of the head office Mannheim of Südzucker AG

**Petra Schwalbe\*, Berlin**

Chairman of region East der Gewerkschaft Nahrung-Genuss-Gaststätten

*Memberships in comparable German and foreign supervisory committees*

- Philipp Morris GmbH, München

**Nadine Seidemann\*, Donauwörth**

Member of the works council at the Rain plant of Südzucker AG

\* Employee representatives

**Franz-Rudolf Vogel\*, Worms**

Chairman of the central works council of Südzucker AG

**Wolfgang Vogl\*, Bernried**

Manager of the plants Plattling and Rain of Südzucker AG

*Group-mandates*

- BGD Bodengesundheitsdienst GmbH, Mannheim

**Rolf Wiederhold\*, Wabern**

Chairman of the works council at the Wabern plant of Südzucker AG

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\* Employee representatives

**EXECUTIVE BOARD****Dr. Wolfgang Heer (Chairman), Ludwigshafen am Rhein** (Appointed until 28 February 2018)*Group-mandates*

- AGRANA Beteiligungs-AG, Vienna, Austria (1. Deputy Chairman)
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna, Austria (Chairman)
- BENEО GmbH, Mannheim
- CropEnergies AG, Mannheim
- ED&F MAN Holdings Limited, London, Great Britain
- Freiburger Holding GmbH, Berlin (Chairman)
- PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands
- Raffinerie Tirlemontoise S.A., Brussels, Belgium
- Saint Louis Sucre S.A.S., Paris, France
- Südzucker Polska S.A., Wroclaw, Poland (Deputy Chairman)
- Z & S Zucker und Stärke Holding AG, Vienna, Austria (Deputy Chairman)

**Dr. Lutz Guderjahn, Offstein** (until 30 April 2015)**Dr. Thomas Kirchberg, Ochsenfurt** (Appointed until 31 August 2017)*Group-mandates*

- AGRANA Beteiligungs-AG, Vienna, Austria
- BENEО GmbH, Mannheim
- BGD Bodengesundheitsdienst GmbH, Mannheim (Chairman)
- Raffinerie Tirlemontoise S.A., Brussels, Belgium
- Saint Louis Sucre S.A.S., Paris, France (Chairman)
- Südzucker Moldova S.A., Chisinau, Moldova (Chairman)
- Südzucker Polska S.A., Wroclaw, Poland (Chairman)
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim

**Thomas Kölbl, Speyer** (Appointed until 31 May 2019)*Memberships in other domestic, statutory supervisory boards*

- Boerse Stuttgart GmbH, Stuttgart
- EUWAX Aktiengesellschaft, Stuttgart

*Memberships in comparable German and foreign supervisory committees*

- Baden-Württembergische Wertpapierbörse, Stuttgart

*Group-mandates*

- AGRANA Internationale Verwaltungs- und Asset-Management GmbH, Vienna, Austria
- AGRANA Stärke GmbH, Vienna, Austria
- AGRANA Zucker GmbH, Vienna, Austria
- AUSTRIA JUICE GmbH, Gleisdorf, Austria
- BENEО GmbH, Mannheim
- CropEnergies AG, Mannheim (Deputy Chairman)
- Freiburger Holding GmbH, Berlin
- PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands (Chairman)
- Raffinerie Tirlemontoise S.A., Brussels, Belgium
- Saint Louis Sucre S.A.S., Paris, France
- Südzucker Polska S.A., Wroclaw, Poland
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (Chairman)

**Dipl. Ing. Johann Marihart, Limberg, Österreich** (Appointed until 31 January 2019)*Memberships in comparable German and foreign supervisory committees*

- BBG Bundesbeschaffungsges. m. b. H., Vienna, Austria
- Österreichische Forschungsförderungsgesellschaft mbH, Vienna, Austria (Deputy Chairman)
- Ottakringer Getränke AG, Vienna, Austria
- Spanische Hofreitschule – Bundesgestüt Piber, Vienna, Austria (Chairman)
- tecnet equity NÖ Technologiebeteiligungs-Invest GmbH, St. Pölten, Austria
- TÜV Austria Holding AG, Vienna, Austria (Chairman)

*Group-mandates*

- AGRANA Research & Innovation Center GmbH, Vienna, Austria (Chairman)
- AGRANA Stärke GmbH, Vienna, Austria (Chairman)

- AGRANA Zucker GmbH, Vienna, Austria  
(Chairman)
- BENEIO GmbH, Mannheim
- Freiberger Holding GmbH, Berlin
- Österreichische Rübensamenzucht Gesellschaft  
m.b.H., Vienna, Austria (Chairman)
- Raffinerie Tirlemontoise S.A., Brussels, Belgium  
(Chairman)
- Saint Louis Sucre S.A.S., Paris, France

**(27) Fees for services by the company's external auditors**

The following expenses were incurred in the 2015/16 financial year for services provided by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft:

(€ '000)	2015/16	2014/15
Auditing services	527	517
Other assurance services	13	6
Tax advisory services	14	0
Other services	36	42
	<b>590</b>	<b>565</b>

**(28) Declaration of compliance per note 161 AktG**

The executive board and supervisory board issued the declaration of compliance relating to the German Corporate Governance Code in accordance with note 161 of the German Stock Corporation Act (AktG) on 19 November 2015. It is available on the Internet via our website at: [www.suedzucker.de/en/Investor-Relations/Corporate-Governance/Entsprechenserklaerung/2015](http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/Entsprechenserklaerung/2015).

**(29) Proposed appropriation of earnings**

Net earnings available for distribution of Südzucker AG amount to €'000 61,327 (51,146). It will be proposed to the annual general meeting that a dividend of € 0.30 (0.25) per share be distributed and be appropriated as follows:

(in €)	2015/16
Distribution of a dividend of € 0.30 per share on 204,183,292 shares	61,254,987.60
Profit carried forward	72,395.68
<b>Net earnings available for distribution</b>	<b>61,327,383.28</b>

If on the day of the annual general meeting treasury shares exist, the resolution proposal will be modified – in the event of a distribution of € 0.30 per qualifying share – to have the corresponding higher remaining value carried forward.

The dividend is to be paid on 15 July 2016.

## List of shareholdings

	Shortcut	Location	Country	Direct shareholder	(%)	Equity € million	Earnings after tax € million
<b>I. Fully consolidated companies</b>							
<b>Sugar Segment</b>							
<b>Division Südzucker and sales subsidiaries</b>							
Südzucker AG	SZAG	Mannheim	Germany				
Sudzucker Hellas E.P.E.		Athina	Greece	SZH	99,94	1,24	0,32
				SZV	0,06		
Sudzucker Ibérica S.L.U.		Barcelona	Spain	SZH	100,00	1,92	1,17
Südzucker United Kingdom Limited		West Lothian	Great Britain	SZH	100,00	0,71	0,49
<b>Division Sugar Belgium</b>							
Raffinerie Tirlemontoise S.A.	RT	Bruxelles	Belgium	SZH	99,41	1.121,07	32,67
Hosa Trading Importação Exportação S.A.		Sao Paulo	Brazil	RT	100,00	0,20	0,14
James Fleming & Co. Ltd.	JF	West Lothian	Great Britain	RT	100,00	13,49	3,37
Nougat Chabert & Guillot SA	NC&G	Montelimar	France	SO-GELAF	99,75	3,76	0,16 1)
S.C.I. DU MARINET		Upie	France	SO-GELAF	99,75		1)
				NC&G	0,25		
Rafti B.V.		Wijchen	Netherlands	RT	100,00	11,74	0,68
Raftir Nederland Beheer B.V.		Groningen	Netherlands	RT	100,00	6,91	0,02
S.O.G.E.L.A.F. SARL	SOGELAF	Paris	France	RT	100,00	22,64	-0,03
Tiense Suikerraffinaderij Nederland Holding B.V.		Wijchen	Netherlands	RT	100,00	3,50	-0,01
Tiense Suikerraffinaderij Services g.c.v.		Bruxelles	Belgium	RT	100,00	982,06	18,20
W.T. Mather Ltd.	WTM	Lancashire	Great Britain	JF	100,00	3,37	0,00
<b>Division Sugar France</b>							
Saint Louis Sucre S.A.S.	SLS	Paris	France	RT	99,80	125,48	-16,64
Société Française d'Organisation et de Participations "S.F.O.P."	SFOP	Paris	France	SLS	100,00	15,84	-0,03
<b>Division Sugar Poland</b>							
Südzucker Polska S.A.	SZPL	Wroclaw	Poland	SZH	99,59	353,72	18,32
"POLTERRA" Sp. z o.o.		Wroclaw	Poland	SZPL	100,00	0,82	0,01
Przedsiębiorstwo Rolne "KLOS" Sp. z o.o.		Wroclaw	Poland	SZPLN	100,00	0,29	0,00
Südzucker Polska Nieruchomosci Sp. z o.o.	SZPLN	Wroclaw	Poland	SZPL	100,00	-2,45	-0,31

\* E Profit and loss transfer agreement

1) Disclosures for Subgroup / Group consolidated financial statements

2) Disclosures for the last applicable financial closing

3) Exemption pursuant § 264 (3) HGB

4) Exemption pursuant § 264b HGB

5) Voting majority

	Shortcut	Location	Country	Direct share- holder	(%)	Equity € million	Earnings after tax € million
<b>Division AGRANA Sugar</b>							
<b>Agrana sugar sales and production</b>							
<b>Sugar Austria</b>							
AGRANA Zucker GmbH	AZ	Vienna	Austria	AB AMV	<u>98,91</u> 1,09	326,94	5,27
AGRANA ZHG Zucker Handels GmbH		Vienna	Austria	AZ	100,00	2,16	0,40
<b>Sugar Romania</b>							
AGRANA AGRO S.R.L.		Roman	Romania	AGR AZ	<u>99,00</u> 1,00	0,01	0,00
AGRANA BUZAU S.R.L.		Buzau	Romania	AGR AZ	<u>99,00</u> 1,00	0,75	1,76
AGRANA TANDAREI S.R.L.		Tandarei	Romania	AGR AZ	<u>99,00</u> 1,00	0,79	-0,01
S.C. AGRANA Romania S.A.	AGR	Bukarest	Romania	AZ AIV&A	<u>91,82</u> 0,21	-7,05	-2,02
<b>Sugar Slovakia</b>							
Slovenské Cukrovary s.r.o.		Sered	Slovakia	AZ	100,00	45,13	3,09
<b>Sugar Czech Republic</b>							
Moravskoslezské Cukrovary A.S.	MC	Hrusovany	Czech Republic	AZ	100,00	85,18	0,32
<b>Sugar Hungary</b>							
AGRANA Magyarország Értékesítési Kft.	AME	Budapest	Hungary	MCeF AZ	<u>99,70</u> 0,30	5,15	0,07
Biogáz Fejlesztő Kft.		Kaposvár	Hungary	AME	100,00	0,44	0,05
Koronás Irodaház Szolgáltató Korlátolt Felelősségű Társaság		Budapest	Hungary	MCeF	100,00	1,26	0,02
Magyar Cukorgyártó és Forgalmazó Zrt.	MCeF	Budapest	Hungary	AZ	87,60	72,38	1,12
<b>Sugar Bulgaria</b>							
AGRANA Trading EOOD		Sofia	Bulgaria	AZ	100,00	1,88	0,92
<b>Sugar Bosnia</b>							
AGRANA BIH Holding GmbH	ABIH	Vienna	Austria	AZ SZH	<u>75,00</u> 25,00	4,33	-0,01
AGRANA d.o.o.		Brcko	Bosnia- Herzegovina	ABIH	100,00	0,12	-0,02
<b>AGRANA Holding/other</b>							
AGRANA Beteiligungs-Aktiengesellschaft	AB	Vienna	Austria	Z&S SZAG	<u>86,18</u> 6,54	599,96	60,14
AGRANA Group-Services GmbH		Vienna	Austria	AB	100,00	1,30	0,41
AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.	AMV	Vienna	Austria	AB	100,00	8,12	0,68

\* Profit and loss transfer agreement

- 1) Disclosures for Subgroup / Group consolidated financial statements
- 2) Disclosures for the last applicable financial closing
- 3) Exemption pursuant § 264 (3) HGB
- 4) Exemption pursuant § 264b HGB
- 5) Voting majority

	Shortcut	Location	Country	Direct shareholder	(%)	Equity € million	Earnings after tax € million
Agrana Research & Innovation Center GmbH		Vienna	Austria	AB	100,00	3,62	0,04
INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H.		Vienna	Austria	AB	66,67	8,37	0,65
<b>Division Sugar Moldova</b>							
Südzucker Moldova S.A.	SZM	Chisinau	Moldova	SZH	83,64	38,49	1,32
Agro Credit S.R.L.		Drochia	Moldova	SZH	100,00	0,02	0,00
Agro-SZM S.R.L.		Drochia	Moldova	SZM	100,00	4,73	-0,23
<b>Division Agriculture</b>							
Agrar und Umwelt AG Loberaue	A&U	Rackwitz	Germany	SZAG	100,00	26,65	1,55
Rackwitzer Biogas GmbH		Rackwitz	Germany	A&U	100,00	0,03	*
Wolteritzer Agrar GmbH		Rackwitz	Germany	A&U	100,00	0,16	*
Zschortauer Agrar GmbH		Rackwitz	Germany	A&U	100,00	0,03	*
Zschortauer Futtermittel GmbH		Rackwitz	Germany	A&U	74,00	1,98	0,27
<b>Sugar Other</b>							
AHG Agrar-Holding GmbH		Mannheim	Germany	SZAG	100,00	0,03	* 3)
AGRANA Zucker, Stärke und Frucht Holding AG	AZS	Vienna	Austria	SZAG	50,00	525,64	44,02 1) 5)
Z & S Zucker und Stärke Holding AG	Z&S	Vienna	Austria	AZS	100,00		1)
AIH Agrar-Industrie-Holding GmbH		Mannheim	Germany	SZAG	100,00	0,24	0,00
BGD Bodengesundheitsdienst GmbH		Mannheim	Germany	SZAG	100,00	0,03	* 3)
Sächsisch-Thüringische Zuckerfabriken Verwaltungsgesellschaft mbH		Mannheim	Germany	SZAG	100,00	0,03	0,00
Südprojekt Silo und Logistik GmbH & Co. KG		Mannheim	Germany	SZAG	100,00	35,29	3,39
Südzucker Holding GmbH	SZH	Mannheim	Germany	SZAG	100,00	715,77	* 3)
Südzucker International Finance B.V.		Oud-Beijerland	Netherlands	SZAG	100,00	18,20	1,34
Südzucker Tiefkühl-Holding GmbH	SZTK	Ochsenfurt	Germany	SZAG	100,00	559,08	* 3)
Südzucker Versicherungs-Vermittlungs-GmbH		Mannheim	Germany	SZAG	51,00	1,54	1,48
<b>Special products segment</b>							
<b>Division BENE0</b>							
BENE0 GmbH	B	Mannheim	Germany	SZAG	100,00	180,48	* 3)
BENE0 Asia Pacific Pte. Ltd.		Singapore	Singapore	BP	100,00	1,77	0,10
BENE0 Iberica S.L. Unipersonal		Barcelona	Spain	BO	100,00	0,16	0,02
BENE0 Inc.		Morris Plains	USA	BP	100,00	13,12	1,50
BENE0 Latinoamerica Coordenação Regional Ltda.		Vila Olímpia, Sao Paulo	Brazil	BO	100,00	0,14	0,01
BENE0-Orafti S.A.	BO	Oreye	Belgium	BR B	99,99 0,01	252,83	6,62
BENE0-Palatinit GmbH	BP	Mannheim	Germany	B SZAG	85,00 15,00	23,58	* 3)
BENE0-Remy N.V.	BR	Wijgmaal	Belgium	B BP	99,99 0,01	235,80	2,40 1)

\* E Profit and loss transfer agreement

1) Disclosures for Subgroup / Group consolidated financial statements

2) Disclosures for the last applicable financial closing

3) Exemption pursuant § 264 (3) HGB

4) Exemption pursuant § 264b HGB

5) Voting majority

	Shortcut	Location	Country	Direct share- holder	(%)	Equity € million	Earnings after tax € million
Nutriz N.V.		Wijgmaal	Belgium	BR	100,00		1)
Veniremy N.V.		Wijgmaal	Belgium	BR	100,00		1)
Orafti Chile S.A.		Pemuco	Chile	BO BP	99,99 0,01	160,16	-3,19
REMY ITALIA S.P.A.		Confienza (PV)	Italy	BR	66,70	0,59	0,02
<b>Division Freiberger</b>							
Freiberger Holding GmbH	FH	Berlin	Germany	SZTK SZAG	90,00 10,00	122,35	* 3)
Alberto Lebensmittel GmbH		Berlin	Germany	FLG KG	100,00	0,03	0,00
Favorit Lebensmittel-Vertriebs GmbH		Berlin	Germany	FLM	100,00	0,08	0,01
Feinschmecker Eiscreme und Tiefkühlkost GmbH		Berlin	Germany	FH	100,00	0,12	0,01
Feinschmecker Feinkost GmbH	FF	Berlin	Germany	FLM	100,00	0,09	0,00
Freiberger France S.A.R.L.		St. Didier au Mont d'Or	France	FLM	100,00	-0,08	-0,06
Freiberger GmbH		Berlin	Germany	FLG KG	100,00	0,05	0,00
Freiberger Lebensmittel GmbH	FLM	Berlin	Germany	FLG KG	100,00	24,42	* 3)
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG	FLG KG	Berlin	Germany	FH	100,00	52,06	* 4)
Freiberger Polska Sp.z o.o.		Warszawa	Poland	FLM FF	99,00 1,00	0,48	-0,23
Freiberger UK Ltd.		Spalding	Great Britain	FLM	100,00	4,19	4,36
Freiberger USA Inc.		Morris Plains	USA	FLM	100,00	-0,71	-0,74
Great Star Food Production GmbH & Co. KG		Berlin	Germany	FLG KG	100,00	0,00	* 4)
Prim AS Tiefkühlprodukte Gesellschaft m.b.H.		Oberhofen	Austria	FLM	100,00	11,81	4,49
Sandhof Limited	SL	Westhoughton	Great Britain	FLM	100,00	37,01	9,13
Stateside Foods Ltd.		Westhoughton	Great Britain	SL	100,00	29,97	12,39
<b>Division PortionPack</b>							
PortionPack Europe Holding B.V.	PPEH	Oud-Beijerland	Netherlands	SZAG	100,00	32,47	1,78
Elite Portion Pack Belgium NV		Herentals	Belgium	PPEH	100,00	0,06	0,00
Hellma Gastronomicky Servis Praha spol. s.r.o.		Praha	Czech Republic	PPEH	100,00	3,10	0,84
Hellma Gastronomie-Service GmbH		Nürnberg	Germany	PPEH	100,00	4,44	* 3)
Hellma Lebensmittel-Verpackungs-Gesellschaft m.b.H.		Vienna	Austria	PPEH	100,00	0,77	0,20
PortionPack Belgium N.V.		Herentals	Belgium	PPEH PPH	99,97 0,03	0,40	-0,31
PortionPack Holland B.V.	PPH	Oud-Beijerland	Netherlands	PPEH	100,00	-1,21	-1,04
SAES The Portion Company, S.L.U.		La Llagosta (Barcelona)	Spain	PPEH	100,00	0,19	0,03
Single Source Limited	SSL	Telford	Great Britain	PPEH	100,00	3,92	0,73 1)
APCS Holdings Limited	APCS	Telford	Great Britain	SSL	100,00		1)
Central Legal Funding Limited	CLF	Telford	Great Britain	SSL	75,00		1)
AP Sachets Limited		Telford	Great Britain	APCS	100,00		1)

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4) Exemption pursuant § 264b HGB

5) Voting majority

	Shortcut	Location	Country	Direct shareholder	(%)	Equity € million	Earnings after tax € million
Sugar Stix Limited		Telford	Great Britain	APCS	100,00		1)
Santeau Limited		Telford	Great Britain	CLF	100,00		1)
Van Oordt Drukkerij B.V.		Oud-Beijerland	Netherlands	VOP	100,00	0,15	0,00
Van Oordt Landgraaf B.V.		Landgraaf	Netherlands	PPH	100,00	2,36	0,02
Van Oordt the portion company B.V.	VOP	Oud-Beijerland	Netherlands	PPH	100,00	16,96	3,42
<b>Division Starch</b>							
AGRANA Stärke GmbH	AS	Vienna	Austria	AB	98,91	297,68	68,25
				AMV	1,09		
S.C. A.G.F.D. Tandarei s.r.l.		Tandarei	Romania	AS	100,00	3,17	-0,31
<b>CropEnergies segment</b>							
CropEnergies AG	CEAG	Mannheim	Germany	SZAG	69,19	400,78	35,65
BioWanze S.A.		Bruxelles	Belgium	CEAG	100,00	229,72	28,68
Compagnie Financière de l'Artois SA	CF	Loon-Plage	France	CEAG	100,00	20,96	3,13
CropEnergies Beteiligungs GmbH	CEB	Mannheim	Germany	CEAG	100,00	61,23	*
CropEnergies Bioethanol GmbH		Zeitz	Germany	CEB	85,00	72,44	*
				CEAG	15,00		
CropEnergies Inc.		Houston	USA	CEB	100,00	0,09	-0,02
Ensus Limited		Yarm	Great Britain	CEAG	100,00	0,00	0,00
Ensus UK Limited		Yarm	Great Britain	CEAG	100,00	24,97	-15,30
RYSSSEN ALCOOLS SAS	RYS	Loon-Plage	France	CF	100,00	9,64	2,19
Ryssen Chile SpA		Lampa, Santiago de Chile	Chile	RYS	100,00	0,31	0,05
<b>Fruit segment</b>							
<b>Division Fruit preparations (AGRANA Fruit)</b>							
AGRANA Fruit S.A.S.	AF	Paris	France	FA	100,00	119,13	20,71
AGRANA Fruit Argentina S.A.		Buenos Aires	Argentina	AF	84,83	1,08	-0,41
				AFSS	15,17		
AGRANA Fruit Australia Pty Ltd.		Central Mangrove	Australia	AF	100,00	21,44	4,63
AGRANA Fruit Austria GmbH	AFA	Gleisdorf	Austria	AF	99,98	18,20	1,82
				AIV&A	0,02		
AGRANA Fruit Brasil Indústria, Comércio, Importação e Exportação Ltda.		Sao Paulo	Brazil	AF	100,00	3,85	0,53
AGRANA Fruit Brasil Participacoes Ltda.	AF	Sao Paulo	Brazil	AF	99,99	6,74	-1,07
				AFA	0,01		
AGRANA Fruit Dachang Co., Ltd.		Dachang	China	AF	75,00	18,42	3,16
				AFK	25,00		
AGRANA Fruit Fiji Pty Ltd.		Sigatoka	Fiji	AF	100,00	0,87	-0,10
AGRANA Fruit France S.A.		Paris	France	AF	100,00	17,38	1,48
AGRANA Fruit Germany GmbH		Konstanz	Germany	AF	100,00	10,06	0,87
AGRANA Fruit Istanbul Gıda Sanayi ve Ticaret A.S.		Zincirlikuyu	Turkey	AF	100,00	5,84	1,12
AGRANA Fruit Korea Co. Ltd.	AFK	Seoul	South Korea	AF	100,00	13,24	1,84

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	Shortcut	Location	Country	Direct shareholder	(%)	Equity € million	Earnings after tax € million
AGRANA Fruit Latinoamerica S. de R.L. de C.V.		Michoacan	Mexico	AF AFSG	99,99 0,01	12,11	3,29
AGRANA Fruit Luka TOV		Vinnitsa	Ukraine	AF	99,97	1,73	0,89
AGRANA Fruit México, S.A. de C.V.		Michoacan	Mexico	AFUS	100,00	9,56	3,08
AGRANA Fruit Polska SP z.o.o.		Ostroleka	Poland	AF	100,00	11,65	1,11
AGRANA Fruit Services GmbH	AFSG	Vienna	Austria	AF	100,00	10,12	1,59
AGRANA Fruit Services S.A.S.	AFSS	Paris	France	AF	100,00	0,17	-0,01
AGRANA Fruit South Africa (Proprietary) Ltd.		Johannesburg	South Africa	AF	100,00	0,75	-1,08
AGRANA Fruit Ukraine TOV		Vinnitsa	Ukraine	AF	99,80	16,67	4,87
AGRANA Fruit US, Inc.	AFUS	Brecksville	Ohio/USA	AF	100,00	68,99	4,80
Agrana Nile Fruits Processing SAE		Qalyoubia	Egypt	AF	51,00	6,27	1,38
Dirafrost FFI N. V.	DFFI	Herk-de-Stad	Belgium	AF	100,00	2,87	-3,82
Dirafrost Maroc SARL		Laouamra	Marocco	DFFI	100,00	3,01	-0,33
Financière Atys S.A.S.	FA	Paris	France	AIV&A	100,00	106,20	9,63
o.o.o. AGRANA Fruit Moscow Region		Serpuchov	Russia	AF	100,00	18,12	3,81
Yube d.o.o.		Pozega	Serbia	DFFI	100,00	1,05	0,32
<b>Division Fruit juice concentrates (Austria Juice)</b>							
AUSTRIA JUICE GmbH	AJU	Allhartsberg	Austria	AIV&A	50,01	55,83	-8,27
AGRANA JUICE (XIANYANG) CO., LTD		Xianyang City	China	AJU	100,00	12,25	-0,30
AUSTRIA JUICE Ukraine LLC		Vinnitsa	Ukraine	AJU	100,00	3,17	0,77
AGRANA Juice Denmark A/S		Køge	Denmark	AJU	100,00	-1,46	-0,03
AUSTRIA JUICE Germany GmbH		Bingen	Germany	AJS&M	100,00	1,23	0,00
AGRANA Juice Magyarorszá g Kft.		Vásárosnamény	Hungary	AJU	100,00	16,33	1,47
AUSTRIA JUICE Poland Sp. z.o.o.		Chelm	Poland	AJU	100,00	46,44	1,94
AGRANA Juice Romania Vaslui S.r.l.		Vaslui	Romania	AJU	100,00	2,37	0,12
AGRANA Juice Sales & Marketing GmbH	AJS&M	Bingen	Germany	AJU	100,00	-1,29	-0,14
<b>FruitFruit Other</b>							
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	AIV&A	Vienna	Austria	AB AMV	98,91 1,09	231,71	-23,92

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- 5) Voting majority

Shortcut	Location	Country	Direct shareholder	(%)	Equity € million	Earnings after tax € million
<b>II. Joint ventures and associated companies</b>						
<b>Sugar segment</b>						
<b>Division Südzucker and sales subsidiaries</b>						
Maxi S.r.l.	Bolzano	Italy	SZH	50,00	6,50	4,63
<b>Division AGRANA Sugar</b>						
<b>Agrana sugar sales and production</b>						
<b>Sugar Bosnia</b>						
"AGRAGOLD" d.o.o.	Brcko	Bosnia-Herzegovina	ASB	100,00	2,11	0,27
AGRAGOLD d.o.o.	Zagreb	Croatia	ASB	100,00	1,08	0,07
AGRAGOLD dooel Skopje	Skopje	Macedonia	ASB	100,00	0,23	0,18
AGRAGOLD trgovina d.o.o.	Ljubljana	Slovenia	ASB	100,00	0,73	0,05
AGRANA Studen Sugar Trading GmbH	Vienna	Austria	ABIH	50,00	-0,66	0,60
AGRANA-STUDEN Beteiligungs GmbH	ASB Vienna	Austria	ABIH	50,00	9,65	0,66
Company for trade and services AGRANA-STUDEN Serbia d.o.o. Beograd	Beograd	Serbia	ASB	100,00	-0,06	0,03
AGRANA-STUDEN Albania	Tirane	Albania	ASB	100,00	0,09	0,08
STUDEN-AGRANA Rafinerija Secera d.o.o.	Brcko	Bosnia-Herzegovina	ASB	100,00	2,48	2,31
SCO STUDEN & CO. BRASIL EXPORTACAO E IMPORTACAO LTDA.	Sao Paulo	Brazil	ASB	100,00	-0,01	0,00
<b>Sugar Other</b>						
ED&F MAN Holdings Limited	London	Great Britain	SZH	25,00	864,90	95,81
<b>Special products segment</b>						
<b>Division PortionPack</b>						
Collaborative Packing Solutions [Pty] Ltd	Johannesburg	South Africa	PPEH	40,00	0,37	-0,12
<b>Division Starch</b>						
GreenPower E85 Kft	Szabadegyháza	Hungary	HK	100,00	0,81	-0,05
HUNGRANA Keményítő- és Isocukorgyártó és Forgalmazó Kft.	HK Szabadegyháza	Hungary	AS	50,00	107,29	44,17
HungranaTrans Kft.	Szabadegyháza	Hungary	HK	100,00	2,16	1,84
<b>CropEnergies segment</b>						
CT Biocarbonic GmbH	Zeitz	Germany	CEB	50,00	3,18	-0,21

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Shortcut	Location	Country	Direct shareholder	(%)	Equity € million	Earnings after tax € million
<b>III. Not consolidated companies</b>						
<b>Sugar segment</b>						
<b>Division Sugar Belgium</b>						
Golborne Ltd.	Lancashire	Great Britain	WTM	100,00	0,04	0,00
<b>Division Sugar France</b>						
Acucar e Alcool do Sul Participacoes Ltda.	Alto de Pinheiros	Brazil	SLS RT	99,90 0,10	0,00	0,00 <sup>2)</sup>
<b>Division AGRANA Sugar</b>						
<b>Sugar Czech Republic</b>						
PERCA s.r.o.	Hrusovany	Czech Republic	MC	100,00	0,53	0,06
<b>Sugar Bosnia</b>						
AGRANA Makedonija DOOEL Skopje	Skopje	Macedonia	AZ	100,00	0,00	0,00
AGRANA Croatia d.o.o.	Zagreb	Croatia	AZ	100,00	0,00	0,00
<b>AGRANA Holding/Sonstige Other</b>						
Österreichische Rübensamenzucht Gesellschaft m.b.H.	Vienna	Austria	AZ	86,00	1,82	1,15
<b>Division Sugar Moldova</b>						
AGRO-BARABOIENI S.R.L	Baraboi, rl. Donduseni	Moldova	SZM	51,00	0,12	0,00
<b>Sugar Other</b>						
Arbeitsgemeinschaft für Versuchswesen und Beratung im Zuckerrübenanbau Zeitz GmbH	Kretzschau	Germany	SZAG	80,00	0,03	-0,01
Sächsisch-Thüringische Zuckerfabriken GmbH & Co. KG	Mannheim	Germany	SZAG	100,00	0,02	0,00
Südprojekt Immobilienverwaltungsgesellschaft mbH	Mannheim	Germany	SZAG	100,00	0,23	0,01
Südtrans GmbH	Mannheim	Germany	SZAG	100,00	0,10	*
Südzucker Beteiligungs GmbH	Mannheim	Germany	SZAG	100,00	0,02	0,00
Südzucker International GmbH	Ochsenfurt	Germany	SZH	100,00	0,03	*
Südzucker Reise-Service GmbH	Mannheim	Germany	SZAG	100,00	1,09	0,10
Südzucker Verkauf GmbH	SZV Mannheim	Germany	SZH	100,00	0,03	0,00
Südzucker Verwaltungs GmbH	Mannheim	Germany	SZAG	100,00	0,03	*
<b>Special products segment</b>						
<b>Division Starch</b>						
AGRANA Skrob s.r.o.	Hrusovany	Czech Republic	AS	100,00	0,07	-0,02
AGRANA Amidi srl	Sterzing	Italy	AS	100,00	0,01	0,00
Dr. Hauser Gesellschaft m.b.H. i.L.	Hamburg	Germany	AS	100,00	0,04	-0,01

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5) Voting majority

	Shortcut	Location	Country	Direct shareholder	(%)	Equity € million	Earnings after tax € million
<b>IV. Other participations &gt;20%</b>							
<b>Sugar segment</b>							
<b>Division Sugar Belgium</b>							
	Bio-Generator Regio – Leuven – PORT NV	Tienen	Belgium	RT	35,71	2,40	-0,01 2)
<b>Division Sugar France</b>							
	GARDEL S.A.	Le Moule	France	SLS	24,28	51,03	0,39
	Eastern Sugar B.V.	ES Breda	Netherlands	SLS	50,00	0,63	-0,37 1)
	Eastern Sugar s.r.o. i.L.	Dunajska Streda	Slovakia	ES	100,00		1)
	S.C.I.C.A ROYE DESHYDRATATION S.A.	Roye	France	SLS SFOP	10,75 9,79	5,30	0,24
	Sucrierie et Distillerie de Souppes-Ouvré Fils S.A.	Paris	France	SLS	44,50	48,91	-3,53
<b>Division Sugar</b>							
<b>Sugar Czech Republic</b>							
	DELHIA SHELF s.r.o.	Hrusovany	Czech Republic	MC	100,00	0,00	0,00
<b>Sugar Hungary</b>							
	Cukoripari Egyesülés	Budapest	Hungary	MCeF	44,27	0,14	0,03
<b>Sugar Other</b>							
	Felix Koch Offenbach Couleur und Karamel GmbH	Offenbach	Germany	SZH	25,10	10,00	2,19 2)
<b>Special products segment</b>							
<b>Division BENE0</b>							
	INVITA Australia PTE Ltd	Balgowlah	Australia	BP	35,00	0,22	3,79

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## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Mannheim, 25 April 2016

### THE EXECUTIVE BOARD



Dr. Wolfgang Heer  
(Chairman)



Dr. Thomas Kirchberg



Thomas Kölbl



Johann Marihart

## AUDITORS REPORT

We have audited the financial statements – comprising the balance sheet, income statement and the notes to the financial statements – including the bookkeeping and the management report of Südzucker AG, Mannheim, for the financial year from 1 March 2015 to 29 February 2016. Bookkeeping and the preparation of financial statements and the management report in accordance with German commercial law are the responsibility of the executive board of the company. Our responsibility is to express an opinion on the financial statements – taking the bookkeeping into consideration – and on the management report based on our audit.

We conducted our audit of the financial statements in accordance with note 317 of the German Commercial Code (HGB) and generally accepted German standards for the audit of financial statements promulgated by Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements, prepared in accordance with German generally accepted accounting principles, and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping, financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the executive board as well as evaluating the overall presentation of the financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with generally accepted accounting principles. The management report is consistent with the financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 25 April 2016

**PricewaterhouseCoopers**  
**Aktiengesellschaft**  
**Wirtschaftsprüfungsgesellschaft**



Dr. Ralf Worster  
**Auditor**



Olav Krützfeldt  
**Auditor**

## FORWARD-LOOKING STATEMENTS / FORECASTS

This annual report contains forward looking statements based on assumptions and estimates made by the executive board of Südzucker AG. Although the executive board may be convinced that these assumptions and estimates are reasonable, future actual developments and future actual results may vary considerably from the assumptions and estimates due to many external and internal factors. For example, matters to be mentioned in this connection include pending negotiations relating to the world trade agreement (WTA), changes to the overall economic situation, changes to EU sugar policies, consumer behaviour and state food and energy policies. Südzucker AG assumes no responsibility and accepts no liability that future developments and future actual results achieved will be the same as the assumptions and estimates included in this annual report.

## CONTACTS

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### **Südzucker on the internet**

More detailed information about Südzucker Group is available at the company's website:  
[www.suedzucker.de](http://www.suedzucker.de)

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